

THE UNIVERSITY OF MANITOBA

THE ECONOMIC THOUGHT OF

GUNNAR MYRDAL

BY

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ABSTRACT

Gunnar Myrdal's economic thought--like his conceptual framework--is a cumulative process. An overview of his writings reveals that his methodology evolved from his Swedish School influences to his own unique approach and method, while the scope of his work developed from relatively orthodox economics to an interdisciplinary approach, and from relatively local, though important, concerns to world-wide issues.

The primary features of Myrdal's economic writings are his dynamic conceptual framework of cumulative causation and his analysis of the tendency of economic and social forces away from equilibrium; the role played by opportunism in the formation and interpretation of empirical observations and theory; and the normative methodological device of choosing value premises for a study based on empirical evidence gleaned from the study itself. Other elements include the rejection of static economic models based on some variation of the 18th century "natural harmony" beliefs; the importance of a broad interdisciplinary approach to economics; a belief in dichotomy of "higher" and "lower" value premises held by all societies and all individuals; the moral imperative which Myrdal believes is an indispensable feature of all realistic theory; and Myrdal's pervasive optimism that people have the potential to overcome their difficulties--and their tendencies to gravitate toward acting on the strength of their lower valuations--in order to improve

society. Of crucial importance, too, is the importance he ascribes to planning and policymaking in correcting and improving the orientation of economic and social systems. All of these aspects of Myrdal's works are intimately interrelated.

Chapter I introduces the various elements of Myrdal's works and provides an overview of all of his writings. It also discusses Myrdal's important intellectual debts and linkages. The dominant influences were members of the Swedish School, in particular his doctoral advisor, Gustav Cassel and the Schools' founder, Knut Wicksell. But David Davidson, Alf Johansson also had important though less visible roles. Other important influences include Alva Myrdal, Sigmund Freud, Karl Marx, Thomas Malthus and Thomas Hobbes. The era in which Myrdal grew up and lived is also seen as a powerful influence: the advent of World War I, the Depression, World War II, the Cold War and the movement toward independence of the colonial regions all had a palpable effect on both his writings and other aspects of his career.

Chapter II focuses on the approach and method evolved and used by Myrdal. Method is seen to be of primary importance in Myrdal's writings, not only because he constantly makes the reader aware of the method he has adopted, but also because, for Myrdal, method provides the linkage between empirical facts and subjective values. The discussion is divided into two

sections: one examines the characteristics of Myrdal's approach, the other the less personal aspects, the elements of his method. The chief characteristics are universalism, dynamics, iconoclasm, optimism, rationalism, and idealism. The elements include the circular causation theoretical framework, the "subjective objectivity", his semantics, epistemology, and the moral imperative injected into each of the main works. The discussion provides a description of each trait and, where relevant, an overview of its evolution.

Chapters III, IV and V examine the major works Myrdal produced. They trace Myrdal's development as a scholar and focus on the key conclusions derived from each of the main writings. Some articles and less important works are also included where they are useful in illustrating some aspect of the development of his thinking.

More specifically, Chapter III considers the works published previous to 1940 with special emphasis on theoretical, iconoclastic and empirical aspects. The doctoral dissertation on price changes and the ex ante-ex post concept are featured in the first section. The second section is on Monetary Equilibrium, important not only for the ideas developed on interest rates and economic activity, but also because many aspects of the later works are visible here in embryo form, especially the disequilibrium analysis. Section C looks at The Political Element, a pivotal work because in it Myrdal pinpointed many of the inconsistencies which had been bothering him. It

marks an important step in the development of Myrdal's methodology, while exhibiting the iconoclastic facet of his writings. The last section touches briefly on the empirical writings Myrdal undertook in the 1930's and brings the evolution of his style to the eve of publication of the first of his large studies.

Chapter IV is devoted primarily to discussing An American Dilemma, the first work in which Myrdal combines effectively all of the elements and characteristics that were to mark the later works. The centre of the study is the Negro in America, but, to appreciate fully all aspects of the problem Myrdal broadens the scope of the study to include economic, social, historical, political, and moral elements drawn from all of America. At the centre is the disequilibrium theory, showing that the condition of the Negro would continue to worsen relative to that of whites in America in the absence of carefully planned policies and institutions that enable Americans to function at the level of their higher valuations. At the end of the chapter is a brief section examining several key articles he wrote between 1944 and 1956, in which he was developing ideas around which subsequent major writings were to revolve.

Chapter V examines the works of the last twenty years. Section A is a discussion of the works produced between 1956 and 1960 in which the general theme is the desirability of a "welfare world" in which the benefits of the "welfare state" would be projected world wide. Myrdal contends that

such a development is becoming increasingly necessary because of the large and growing disequilibrium between wealthy, industrialized countries and the poor, colonial areas. In the development of his arguments, Myrdal employs his cumulative causation framework, while demonstrating that people in these developed countries are deliberately ignoring growing evidence that the poor countries will not, under present conditions, ever become wealthy in either relative or absolute terms. But he fails to develop convincingly a case that the "welfare world" is a desirable goal from the standpoint of any sizable group in developed or underdeveloped countries; what emerges instead is a set of ideals developed by a concerned Western scholar.

The main subject of Section B is Asian Drama, a study of one underdeveloped region, South Asia. However, in a subsequent work, The Challenge of World Poverty, Myrdal indicates that the conclusions broadly apply in all of the underdeveloped world. In Asian Drama, Myrdal abandons the ideals of the "welfare world" and, based on his empirical study of South Asia, instead embraces a set of valuations which he labels "the modernization ideals". The purpose of adopting these ideals is to provide an institutional framework within which it is possible to tilt the circular causation matrix in favor of increasing equality of opportunity, and away from the Malthusian nightmare of mass starvation and disease. Myrdal singles out the Western economic device of models based on the capital/output ratio as being

singularly inappropriate and misleading in the South Asian setting, and proposes instead measures to improve planning and, as a result, policy-making and the attitudes and institutions prevalent in the society. Economic conditions, he argues, should then improve as a spread effect.

The concluding chapter is simply a summary of the main conclusions of the thesis. There are three: the need to recognize and understand disequilibrium in social systems; the danger of unsuitable applications of analysis assuming a tendency toward disequilibrium as the norm; and the importance to intellectually honest scholarly analysis of using properly selected value premises. Also given emphasis is the indispensable role of planning in reversing disequilibrium tendencies and in improving social orientations, and the role of Myrdal's basic optimism in the ability of man to use his institutions to effect such changes.

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Acknowledgements have always appeared to me to be superficial and perfunctory by nature. However, the experience of writing this thesis has given me an insight into how deeply sincere these expressions of thanks must at times be, and of how indispensable to the writer are those providing material and moral support.

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CHAPTER I

INTRODUCTION

A. Why Study Myrdal?

In his long career as scholar, statesman and administrator, Gunnar Myrdal has made numerous contributions to economic literature. Among these are important statements on scope and method; economic theory at the micro- and macroeconomic levels; applied development economics; public policy; semantics; and epistemological and metaphysical issues.

Myrdal's concept of economics places it at a pivotal point in the spectrum of social sciences. The scientific contributions in other fields revolve around economics, he believes, because economists alone among social scientists supplement their roles as researchers, observers, philosophers and interpreters, with the role of planner.

Economics has for two centuries been the 'political' science, in the proper sense of this word. We have all been planners, even those of us whose conclusions were for non-interference. However deep down into detail and into particular micro-problems we go, we have never been afraid of taking the macro-view or of formulating policy proposals for a country or even the whole world . . . Put any economist in the capital of an underdeveloped country and give him a few assistants, and he will in no time produce a plan. No political scientist, statistician, sociologist, psychologist, or what have you,

would ever think of behaving in this way.¹

Armed with this generalist's perspective of the strategic role of economics, Myrdal forays deeply into other social sciences. As a result, many of his writings contain a flavouring of sociology, political science, geography, anthropology, history or psychology. The demarcations among the various disciplines are man-made, he says, so that the important criterion is relevance to the problem at hand rather than some sharply-defined limit of an academician's specialty.

A central contribution of Myrdal is his innovative approach to method. The problems of methodology he poses--the interaction of means and ends, the inevitability of valuations in social science research and the concomitant moral and ethical implications, and the inherently dynamic nature of the theoretical framework he adopts--are at the core of all of his writings. In the early years, Myrdal's works show that he was groping for a satisfactory way to deal with these questions. But throughout his career the answers he found determined not only his approach to economic problems but also the very questions he posed. So important does Myrdal see the question of method that he proposes a

¹Gunnar Myrdal, Against the Stream: Critical Essays in Economics (New York: Random House, 1973), p. 15.

"sociology of social scientists" to investigate the problem of how researchers adopt methods and values in the social sciences.²

At the beginning of his scholarly career, Myrdal adapted the concept of ex ante-ex post analysis to economic theory. He first applied it to microeconomics in "Price Formation and Changeability", his doctoral thesis, published in 1927.³ Then, four years later, he applied this concept in macroeconomic context in another article.⁴ Though the concept of ex ante-ex post is itself comparative static in nature, Myrdal applies it to explain the dynamic phenomena of price and interest rate changes in the economy.

² See, for example, Gunnar Myrdal, Asian Drama: An Inquiry into the Poverty of Nations, vol. i (New York: Random House, 1968), pp. 5-8.

³ "Prisbildningsproblemet och foranderligheten", untranslated.

⁴ "Kring den praktiska nationalekonomiska problematiken om penningteoretisk jamnvikt" (Concerning the practical problem of monetary equilibrium), Ekonomisk Tidskrift 32, pp. 191-302. A revised version was ultimately translated into English in 1939 by R.B. Bryce and N. Stolper as Monetary Equilibrium (London: P.S. King & Son Ltd.; reprint ed. New York: Augustus M. Kelley, 1965).

The concern for dynamics, manifested in the formative stages of his career, pervades all of Myrdal's writings. The dynamic theoretical framework of cumulative causation first appeared formally in his study of the American race problem⁵ and became a hallmark of his writings thereafter. It is the primary vehicle by which Myrdal successfully integrates the many elements of social science into his economic analysis without sacrificing academic rigor.

The cumulative causation framework enabled Myrdal, in his writings on development economics, to build within the confines of an explicit-stated theory a case for world-wide economic integration.⁶ It enabled him to stress the paramount importance of attitudes and institutions in determining the path of economic development, and of government policy in influencing these variables.⁷

For Myrdal, no economic analysis was complete without the inclusion of policy implications and recommendation. This

⁵ An American Dilemma: The Negro Problem and Modern Democracy (New York: Harper & Row, 1944; reprint ed. 1962), Appendix 3, pp. 1065-1070.

⁶ See An International Economy: Problems and Prospects (New York: Harper & Brothers, 1956).

⁷ In Asian Drama.

characteristic was only a logical outcome of his use of the cumulative causation framework, for policy was seen to be one of the most important elements in the matrix of interacting forces in society. It was not apparent in the early theoretical works, but was one of the important lessons Myrdal learned from his work after the onset of the Depression in the 1930's. The policy-oriented approach also follows from Myrdal's conviction that economic problems have ethical roots. He believes that conditions that fall short of the stated ideal should elicit action, whether indirectly through decision-making institutions or directly by the actions of morally conscious individuals.

Special difficulties in the maintenance of theoretical and logical rigor arise from the comprehensive nature of Myrdal's approach. One key control, the framework of cumulative causation, has already been mentioned. Another is semantic precision. Beginning with "economics" Myrdal scrutinizes words which have developed connotations different from the original meaning, or which have taken on special meanings within the confines of particular disciplines. By pinpointing his own interpretations of some terms, or by admitting inherent vagueness in others, he prevents his terminology from degenerating into imprecise jargon.⁸

⁸For one of Myrdal's best discussions on semantics, see " 'Value-Loaded' Concepts", in Money, Growth and Methodology, Hugo Hegeland, Ed. (Lund: CWK Gleerup, 1961), pp. 273-288.

The prevalence of opportunism in the accumulation of knowledge and the interpretation of facts is one of the cornerstones of Myrdal's epistemological beliefs. First described in An American Dilemma,⁹ this aspect of human nature is treated as an important element in the causative process. In the initial discussion, Myrdal illustrates his point by relating how uneducated Negro¹⁰ sharecroppers understand much better than their landlord the rather sophisticated concept of the shifting of land tax incidence. Closely related to this opportunism of knowledge and of ignorance is Myrdal's belief that it is human nature to develop moral valuations that conflict, and that our loftiest ideals seldom coincide with our day-to-day value judgements.¹¹

Myrdal's contribution to metaphysics is not so much a positive statement as a negative observation. He argues that much of modern economic theory finds its foundation in the 18th century concept of Natural Law. In his discussions on theory, he singles out the theory of

⁹ An American Dilemma, Appendices 1 & 2, pp. 1027 - 1064.

¹⁰ The term "Negro" has been supplanted in recent years by the term "Black". However, since Myrdal has used "Negro" throughout his writings, that term will also be used here for simplicity and consistency.

¹¹ Ibid.

public finance for the most severe criticism in this respect, but he also directs his criticism at the main body of consumer theory and international trade theory. In one of his first books, The Political Element in the Development of Economic Theory, Myrdal describes how the tenets of Natural Law have percolated down through classical economics, first under the guise of "natural harmony", then via the principles of "laissez-faire" and utility theory, finally to surface in recent times as Positive Economics. Myrdal argues that this body of theory must be rejected, first because it is founded on wrong premises and, second, because it is not logically tenable.

It must be emphasized that few if any of the ideas Myrdal espouses are in themselves original. The innovative aspect of Myrdal's work is the way in which its various elements are integrated, and the way in which they are applied to economic theory.

The contention of this thesis is that Myrdal has successfully merged moral precepts with factual and theoretical social science research. In developing his research methodology, Myrdal has disposed of the concept of "objective" or "positive" social science. He has replaced this with a subjective analysis and explicitly-stated normative values. His contention is that a scholarly study should be evaluated for accuracy in its treatment of facts and analytically for logical consistency. This frees the values for a separate discussion, though it is vital to note

that the values are themselves empirically derived, and have a major bearing on the policy recommendations. Such an approach minimizes the opportunity for obscuring values, allows differences of opinion to be clearly identified, and provides for the maintenance of a disciplined overall approach. It facilitates separate evaluation of the factual material, the logic of the analysis, and the underlying values which determine the perspective from which the conclusions derive.

Though he firmly rejects the metaphysical tenets of Natural Law and the body of economic theory which he sees as descending from it in modified form, Myrdal remains a child of the Enlightenment in terms of his personal valuations. He recognizes that these valuations--equality of opportunity and a general worldwide improvement in the human condition--are not moral absolutes. But he believes they are widely shared in modern society and therefore are frequently relevant. He is able to project these values, therefore, while maintaining another--intellectual integrity--by adopting specific and narrower valuations within each study. Thus, by applying his method, Myrdal is able to integrate normative valuations--and ultimately moral precepts--directly into social science research.

Myrdal recognizes that much past theory has been written--unwittingly, often, and under the guise of "objectivity"--from the perspective of the powerful and the influential. But he argues that despite

differing aims of different elements of society at the everyday level, there is an underlying common cultural ethic that can be a source of unity. Using a long-run perspective, he argues that those now powerful stand ultimately to gain by pursuing the higher values. Not only will the risk of loss due to social upheaval be mitigated, but both productivity and consumption will, he argues, increase with a "created harmony" in society that comes from improved management by a democratic government.

B. Intellectual Debts and Linkages

1. The Changing Times

Among the most profound influences, necessarily, on any thinker, are the times in which he lives. Gunnar Myrdal was born in Sweden in 1898 and attained maturity in the turbulent years when the First World War signalled the end of an old order. The impact of the resulting changes on people's attitudes and in institutions was not lost on Myrdal. It is reflected fundamentally in his interpretation of 20th century events.

Myrdal perceived that an ordered and comparatively static world in which the stability of institutions went unquestioned, and in which a century of peace was proof enough of a world system in equilibrium, suddenly gave way to a world of chaos and violence, a

dynamic world out of equilibrium and irreversibly so.

The world of 1913 was, like Athens in the days of Pericles, in many respects a model civilization--if one forgets the fact that it excluded from its benefits the larger part of mankind. Any new international system ensuring stability, broadly shared progress, and a commonly felt confidence in the future must be attained on different terms, since the peoples who were then excluded are unwilling to resume their earlier passive role.¹²

Nor were the changes in attitude confined to the formerly compliant.

Before the First World War began, the European colonial rulers never doubted the permanency of their empires; by the time it had ended, most of them realized that this could no longer be an axiom of colonial policy.¹³

Those who witnessed the First World War saw the institutions of the day shaken to their foundations. But it was not until the 1930's and the global trauma of economic depression and another world war that it became widely recognized that there was no returning to the old system. Myrdal notes that it became painfully and increasingly evident first that the measures that had maintained stability throughout the 19th century were no longer effective and, second, that to respond to a new set of needs governments were obliged to intervene in the workings of society to an ever-increasing extent.

There are irreversible processes in the field of social relations; and social automatisms, when once their spell is broken, can

¹² An International Economy, p. 1.

¹³ Asian Drama, vol. i, p. 135

rarely be revived. They represent a sort of social innocence which, once lost, never returns.

Since the development of national economic policies . . . no country is any longer prepared to permit its internal business situation to be determined by automatic reflexes to developments outside its boundaries. All countries are committed to preserve stable markets and "full employment".¹⁴

Cold War developments and the movement toward independence of the former colonies have, since the end of the Second World War, strengthened the trend away from a smoothly-running international system. Instead, they have increased the need for government intervention to encourage through policy measures the stability and growth that once were thought to be part of the nature of things. "Natural harmony" was giving way to discord, and the best that could be hoped for was some form of "created harmony".

Myrdal graduated in law from the University of Stockholm in 1923. The following year he married Alva Reimer, a sociologist. In 1927, he received a doctorate in economics. He began practicing law in Sweden but academic activities soon prevailed. In keeping with the times, the scholars with whom Myrdal was associated were preoccupied with the problems of dynamics. So it was almost as a matter of course that he should devote his early efforts to problems in economic theory dealing with dynamic processes.

¹⁴ An International Economy, p. 73.

In 1930, Myrdal was appointed associate professor of political economy at the Post-Graduate Institute of International Studies in Geneva. The following year he became acting professor at the University of Stockholm and, from 1933 to 1950 he was Lars Hierta Professor of Political Economy and Financial Science there.

There were many other activities, enabling Myrdal to strike some balance between the theoretical and somewhat reflective nature of the man and the kind of realism that comes from wordly experience. The onset of the Great Depression in the early 1930's spurred him to more policy-oriented writings, and to participation in government committees on housing, population and agriculture. In 1935 he entered politics and was a Social Democrat member of the Swedish Senate for three years.

In 1938 Myrdal travelled to the United States to resume his scholarly career, this time as head of a study of the Negro problem in America. Though interrupted by the Second World War, Myrdal and his associates were able to complete their work by 1942. Back in Sweden, he was again elected to the Senate in 1944, and served as Minister of Commerce in the cabinet from 1945 to 1947. At this time he was also a member of the board of directors of the Central Bank of Sweden.

In 1947 Myrdal was appointed executive secretary of the United Nations Economic Commission for Europe, a post he held for 10 years.

One of his primary concerns during this period was to stimulate East-West trade, an activity he thought would contribute to the ending of the Cold War. Another project was the encouragement of the kind of international economic cooperation manifested in the European Steel and Coal Community; a third was overseeing the commission's research.

By the late 1950's events in underdeveloped regions of the world were beginning to attract attention: the movement toward political independence that had its genesis in the First World War was gathering momentum, and the Cold War protagonists were looking to the resulting new nations to line up political support. The wealth gap between the inhabitants of these regions and those of the industrialized countries was visibly growing. Myrdal's interest in the underdeveloped regions had its roots in developments at the end of the Second World War and continued to grow thereafter. Most of his writings after 1954 were directed toward questions in which the problems associated with economic progress in these regions are central. The culmination of this interest was a lengthy study of the economies of the South Asian countries begun in 1958 and completed nearly a decade later.

From 1960 onward, Myrdal was professor of international economy at the University of Stockholm. At that time he founded the University's Institute for International Economic Studies, and became its first director.

In 1974, Myrdal was awarded the Nobel Prize in economics, along with Prof. Frederick von Hayek. The two received the award "for their pioneering work in the theory of money and economic fluctuations and for their penetrating analysis of the interdependence of economic, social and institutional phenomena".¹⁵

2. The Swedish School

As an undergraduate at the University of Stockholm, Myrdal received his training in economics from some of the foremost adherents to the Swedish School, a tradition better known for the diversity of opinion among its protagonists than for a particular body of ideas.

Economic teaching in Britain--and, by extension, in North America--has emphasized the principles of utility theory and marginal theory, with an undercurrent of political laissez-faire. The resulting intellectual milieu paved the way for the evolution of a peculiar brand of two-sector microeconomics--and away from the hurly-burly of politics.

In contrast, the Swedish School, led by the moralistic Knut Wicksell, developed a tradition of participating in political imbroglios that ranged from measures to control drunkenness to recommendations

¹⁵ Keesing's Contemporary Archives (London: Keesing's Publications, Longman's Group Limited) 20, Nov. 4-10, 1974, p. 26804

on birth control policy. The resulting literature is necessarily more policy-oriented than that of most British or American theorists. The literature of the Swedish School is not only "political economy" but also "social economy" since it deals with both political and social issues in economic terms. It should not be surprising, therefore, that the scope of Myrdal's work is so broad.

The Swedish School had, rather than a consensus on individual issues, a more broadly-based common philosophy as to what approach to economics was appropriate. "Our outstanding teachers were so utterly dissimilar that it never occurred to us that we formed a school," Myrdal writes.¹⁶ But later in the same discourse, he summarizes the common element:

I have already said that the personal relations between our teachers were not very harmonious. But it would be a mistake to ascribe their differences to their ideals or opinions. They all were sharply cut individuals of rather unbending character. But as economic thinkers they were clearly members of the same generation, conditioned by their time to a very similar approach to problems. They were alike also in their unquestioning appreciation of independence and originality in scientific work and their unhesitating acceptance of criticism. They were convinced that progress in science emerges from free discussion and

¹⁶ Gunnar Myrdal, Value in Social Theory, with a foreword by Paul Streeten, Trans. and ed. (London: Routledge & Kegan Paul, 1958), p. 245. This statement and the passage that follows immediately below are taken from a Postscript in which Myrdal reminisces about his seniors and contemporaries and the intellectual milieu that prevailed in Sweden during his formative years.

controversy . . . Looking back over my youth, I cannot remember that the thought ever entered my mind that the political or scientific views which I held and expressed could ever have the slightest influence on my future academic career. This, I knew, would solely depend on the quality of my work.¹⁷

Like the other leading exponents of the Swedish School, Myrdal stands alone on many issues, though he has been powerfully influenced by the school's founding generation. The nature of the questions to which he has addressed himself, the methods he evolved for dealing with these questions and, to a lesser extent, his conclusions, show clearly the imprint of the older masters. This is particularly so in Myrdal's earliest works, but even in later life the breadth and nature of his approach, his concern over social issues and the policy and political implications, and his ubiquitous skepticism all are traits encouraged by his seniors. The preoccupation with a dynamic approach and the moral undertone that pervades almost all the writings owe something too, to his early intellectual environment.

The man who was in the best position to influence the direction of Myrdal's academic work was Gustav Cassel, Myrdal's personal friend and doctoral adviser. The fact that many of Myrdal's conclusions are contradictory to those of his mentor is as much a tribute to the teacher

¹⁷Ibid, p. 251-252.

as it is to the student's critical acumen, a trait Cassel encouraged.

Cassel, although the main proponent of the superficial laissez-faire doctrine against which we reacted, played an important role in preparing the way for a deeper and systematic criticism of the value and welfare approach with this rationalistic urge to throw away empty speculations of the type represented by the marginal utility theory, his constant insistence on the necessity to quantify all our notions, and his masterly manner to get down to a realistic treatment of facts and figures, all of which broke through his laissez-faire prejudices.¹⁸

Myrdal's doctoral dissertation, "Price Formation and Changeability", shows more of Cassel's influence in its form than in content. Myrdal credits Cassel with directing his questioning to down-to-earth issues and with imbuing in him the skepticism that led him to question existing theory on price changes and ultimately to develop the ex ante-ex post theory.

The other work which Cassel directly influenced was the Political Element in the Development of Economic Theory. For Cassel, like the young Myrdal, believed it was possible to formulate "objective truth" in economics. Though Myrdal ultimately came to retract that belief, and in the process came to disagree with Cassel on it, it was

¹⁸Ibid, p. 251. For a warm and sympathetic appreciation of Cassel's life and work by Myrdal, see pp. 241-242 and footnote 1. There he describes the obituary he wrote for Cassel, saying, "I tried there to write about Cassel's faults, which were so much on the surface, but in such a way as to explain why we, who knew him best, loved and revered him most".

Cassel who initially posed many of the questions that compelled Myrdal to re-examine the works of the early economists.

Finally, it would be difficult to dismiss as coincidence the fact that Cassel, like Myrdal, strongly believed in writing for the layman. Ultimately, Myrdal, who came to produce most of his main writings in English, carried this aspect of his work even farther than did his teacher, who generally expressed his opinions on economic issues in the press.

Knut Wicksell exerted little personal influence on Myrdal, but his works and his reputation appear to have left an important imprint.

Wicksell's writings were instrumental in the development of Myrdal's ideas on dynamic processes. Wicksell initially described his cumulative process in Geldzins und Guterpreise (Interest and Prices), published in 1898.¹⁹ He postulated that a discrepancy between the rate of increase in the productivity of capital, or "natural" rate of interest, and the rate of interest charged by lenders, or "real" rate, would initiate a mutually reinforcing sequence of events that would tend to widen the initial gap. This divergence from an initial point of

¹⁹The English translation of Wicksell's work was published in 1936.

equilibrium is the essence of the cumulative process. Wicksell maintained that the trend away from equilibrium would continue until external forces intervened. Specifically, he said that ultimately the banking institutions would change conditions for credit, forcing a reversal of the trend. The sequence of events so described constitute a business cycle theory of sorts, but the elements of central importance to Myrdal are the acknowledgement that equilibria may be unstable, that disequilibrium is a natural occurrence in human affairs and particularly in economics, and that this disequilibrium is cumulative.

The theory's impact on Myrdal is first manifested in the second of Myrdal's major theoretical works, Monetary Equilibrium. Though he makes some important changes in Wicksell's theory, he is in fundamental agreement, arguing that among the most important forces contributing to the disequilibrium process are the expectations of investors.

More important, Wicksell's cumulative process is at the core of Myrdal's more general theory of circular causation with cumulative effects.²⁰ Although this theory revolves around the distribution of resources rather than interest rates, the fundamental tenet of a tendency

²⁰ This theory was first expounded in An American Dilemma, Appendix 3, pp. 1065-1070.

toward ever-increasing disequilibrium, in the absence of planned institutional intervention, still applies. And, like Wicksell's concept, the circular causation theory is inherently dynamic, so that the interaction of the various elements is an extremely complex phenomenon.

Another characteristic of Wicksell's work that percolated down to that of Myrdal was his interest in the demographic theories of Thomas Malthus. In Wicksell's life, the ideas of Malthus were reflected in his writings on social issues and in a turn-of-the-century controversy he sparked with his stated beliefs on the value of birth control in society.²¹ From Myrdal's point of view, it is relevant that Wicksell encouraged his followers to acquaint themselves with Malthus. And, as we shall see presently, Malthusian thinking influenced Myrdal's perception of Swedish population trends, though his conclusions were diametrically opposed to those of Malthus.

Other influences of Wicksell on Myrdal's life and thought are more conjectural in nature because they do not relate directly to his published works. Nevertheless, it would be of questionable wisdom to dismiss

²¹For details of this colorful episode in Wicksell's life see Carl G. Uhr, Economic Doctrines of Knut Wicksell (Los Angeles: University of California Press, 1960), p. 204

them outright. It would be hard to believe that the idealism and moralism that permeate Myrdal's work, the attitudes toward the role of women in society and in the family, the institutional approach he has adopted toward his work, the iconoclastic bent and the blunt, even brutal honesty, all reminiscent of Wicksell's style, have not been shaped in some way by Wicksell's example.²²

It must be expected that there were many secondary influences on Myrdal's life and works from within his circle of colleagues. Because of their informal nature, these influences cannot be measured but, like the above-described indirect influences of Wicksell, they cannot be denied.

Most prominent among the secondary sources of inspiration is David Davidson who, Myrdal says, helped to keep the classics before his mind.²³ Davidson, whose work is largely unknown outside of Sweden, made a number of important contributions to Wicksell's theory of the

²² Myrdal pays tribute to Wicksell in a lengthy footnote on page 244 of Value in Social Theory. He says, among other things, "Wicksell had the integrity of a saint: few persons have gone through life as untouched by moral compromise as he".

²³ Value in Social Theory, p. 243.

cumulative process. He was also the founder and first editor of Ekonomisk Tidskrift (The Swedish Journal of Economics) where several of Myrdal's early contributions first appeared.²⁴

Also credited by Myrdal with appreciable influence on his thinking was Axel Hagerstrom. Hagerstrom's skepticism was, for Myrdal, complementary to that of Wicksell and provided him with an acceptable point of departure for developing his own views.

In some more general writings and in his personal teaching . . . he (Hagerstrom) clearly and strikingly expressed the importance of drawing a line between beliefs about reality and valuations of it . . . In a general and sometimes vague way many of us were made familiar with the thought that there were no objective values to be established and known, only subjective valuations which, of course, could be observed.

On the personal plane of political valuations, I have always felt myself in line with Wicksell. Deprived of Wicksell's utilitarian foundations, but subject to the stimulus of his political radicalism, I was receptive to Hagerstrom's philosophical skepticism.²⁵

A third individual singled out from among the senior colleagues and contemporaries for the insights he provided was Alf Johansson.

Of him Myrdal says:

²⁴For an appreciation of Davidson's academic contributions, see Brinley Thomas, "The Monetary Doctrines of Professor Davidson", Economic Journal, 45 (March, 1935), pp. 36-50.

²⁵Value in Social Theory, pp. 250-251

Alf Johansson played for all of us the role of the ideal Oxford and Cambridge don: learned and circumspect, never hurried, always prepared to let his fountain of wisdom sprinkle to the delight and edification of those who were around. I mention this here, because his influence cannot be known to foreign economics . . . For, in this respect also resembling many of the most influential English dons, he did not write much himself.²⁶

It remains now only to mention the influence of Myrdal's contemporary, Erik Lindahl. The writings of these two scholars converge on the extension of the Wicksell-Davidson debate that began at the turn of the century and continued until the eve of Wicksell's death in the mid-1920's. The controversy centred around the specifics of Wicksell's monetary equilibrium theory. Lindahl's initial contribution was to systematize and simplify Wicksell's concepts, while Myrdal, drawing on Lindahl's work as heavily as on the original, revamped the theory into a more widely accepted form.²⁷

²⁶ ibid, p. 240n

²⁷ Brinley Thomas quotes Myrdal as paying tribute to Lindahl's work on monetary theory as follows: "As readers acquainted with the problem under examination will easily see, I have learnt more from Lindahl's Penningpolitikens medel than from any other work". See Thomas's Monetary Policy & Crises: A Study of Swedish Experience (London: George Routledge & Sons, Ltd., 1936), p. 86.

3. Other Influences

Myrdal's wife Alva, whom he married in 1924, has been an important influence on his works.²⁸ Alva Myrdal is a sociologist and, though there is no explicit acknowledgement of mutual influence from either partner, the onus of proof must lie with those who would dispute it.

The two collaborated on a book Kris i befolkningsfragen (Crisis in the Population Problem, published in 1934) in which Alva prepared

Numerous references to Lindahl's work in Myrdal's Monetary Equilibrium collaborate this statement. The body of writings that emanated from scholars at Stockholm University, beginning with the works of Lindahl and Myrdal, from the late 1920's for another generation, has been attributed to the "Stockholm School". though within the tradition of the more broadly based "Swedish School", this body of writing focuses primarily on monetary questions and should not be confused with the latter group. Adherents to the "Stockholm School", whose informal discussions and writings may well have had some modicum of influence on Myrdal's subsequent works, include Bertil Ohlin, Gustav Akerman, and many other eminent scholars.

²⁸ In this context it is tempting to think back again on the life of Knut Wicksell, who also married a woman of courage and intellectual depth who was ahead of her time in her thinking about change in family roles in society.

the discussion of social policy and Gunnar the demographic and economic aspects.²⁹ It is evident from the subsequent works of the two authors that both accept the central arguments of the initial study. The book was one of a series of policy-oriented writings with which Myrdal was associated during the 1930's. It was probably one of the works that paved the way to his being asked to head the study which led to the publication of An American Dilemma in the early 1940's.

Further proof of Alva Myrdal's lifelong involvement with her husband's vocation is contained in his lengthy acknowledgment to her contribution to Asian Drama.

Alva Myrdal has, of course, been closely associated with my work from the time of our early youth . . . As I wrote the chapters on education, Chapters 31-33, I had not only statistical material that had been prepared by her with Mr. Majava's assistance but also drafts and sketches of the text. She read and criticized the successive drafts and, ultimately, the final text . . . I feel a husband's satisfaction that in our cooperation on the present book she has seen her thoughts on these subjects amplified and specified in the broader setting of the development problems in South Asia.³⁰

²⁹ See the preface of Alva Myrdal's Nation and Family (New York: Harper & Brothers, 1941), p. vii

³⁰ Asian Drama, vol. i, Preface, p. xvii.

The powerful influence exerted on Myrdal by the works of Sigmund Freud is mentioned at the risk of seeming redundant. But because Freud's ideas were still traversing Europe for the first time when Myrdal was in his formative years, it is germane to mention some manifestations of their effects on him.

The main linkage with Freud is found in Myrdal's much-repeated theory of "higher" and "lower" valuations. Myrdal's "lower" valuations correspond to the pragmatic, every-day principles on which most decisions are made, and clearly emanate from the concept of "id" as Freud elaborated it. Similarly, the more lofty tenets, usually reserved for abstract or generalized statements of principle but which are occasionally carried out in practice, are manifestations of the concept Freud labelled the "superego".³¹

A related concept, less central to Myrdal's work but still important, is the belief that knowledge and ignorance are opportunistic in nature. This is reminiscent of Freud's observations on memory--the forgetting or remembering of proper names, the fading or retention of childhood memories, and of errors and superstitions.³²

³¹ Sigmund Freud, The Ego and the Id, Joan Riviere, Trans., (London: The Hogarth Press, 1962).

³² From Sigmund Freud, The Basic Writings of Sigmund Freud (New York: Random House, 1938).

While it would be brash to draw direct connections between Freud's ideas and Myrdal's, it would be negligent to fail to draw attention to the similar vein in which they appear to converge on occasion.

The works of Karl Marx are of perennial interest for Myrdal, and he displays a deep respect for the lasting if often inadvertent influence Marx has had on the evolution of economic thought.³³ Myrdal describes Marx as "one of the great classics in the development of economic science".³⁴ He adds:

Western economists have to a very large extent adopted Marx's theories without accounting for their origin or even being aware of it. As this has been done unwittingly and often without much knowledge of Marx's writings--some authors even explain themselves as "anti-Marxists" in the very context of their plagiarizing him--the theories of this type have not been refined and qualified as Marx understood them. They are often left as

³³ It is imperative at the outset of this discussion to make clear that what follows is with reference to the writings of Karl Marx, as opposed to the vast body of literature that has been loosely labelled "Marxism". Myrdal comments on the various meanings of "Marxism" in a footnote of The Challenge of World Poverty, (New York: Random House, 1970, Vintage Books, 1971), pp. 516-517. The discussion is amplified in the final chapter of Against the Stream, "A Brief Note on Marx and 'Marxism' ", pp. 308-316.

³⁴ Against the Stream, p. 316.

implicit assumptions, without having been thought through. When revealed by immanent criticism, they therefore often show up as vulgarizations of Marx. ³⁵

Myrdal also pays tribute to Marx's empiricism, and to his intellectual integrity:

Behind all Marx's interest in constructing abstract models for the "laws of movement" of the capitalist society, he was fundamentally an empiricist. He was therefore against taking anyone as an authority for conclusions about the shape of reality . . . Moreover, if Marx were living today he, as a hardworking and circumspect scientist, would know and take into account all that we now know but that he could not possibly have known a century ago. ³⁶

Myrdal is sympathetic to Marx's dynamic, institutional approach to economics, and credits him with raising--though not pursuing--the question of bias as it relates to the classics.

When he (Marx) invented the term "bourgeois economist" and applied it to the classical economists of his time, it implied the accusation that their theories were biased in a way opportune to the well-to-do and socially, economically and politically mighty of his time. In this he was undoubtedly correct. ³⁷

But Myrdal adds that the limitation of this observation of Marx's is that he did not apply a similar test to himself: "This deficiency in

³⁵ Ibid, pp. 309-310.

³⁶ Ibid, pp. 313-314

³⁷ Ibid, p. 315

his thinking shows up in the facile manner in which he could take for granted that his own views were simply 'scientific' or 'objective'.³⁸

Myrdal's chief divergence from Marx is on the questions of determinism, democracy and planning. Marx, as Myrdal points out in various writings, and in contrast to the implicitly-accepted assumptions of many "Marxists" and their opponents, never did work out a framework for national planning. He believed that once the "dictatorship of the proletariat" held sway the state would, in the classic phrase, "wither away". This line of thinking was more in keeping with the classical assumptions of laissez-faire and "natural harmony" than with Myrdal's concept of a "created harmony".³⁹ Nor was Marx's "dictatorship" consistent with Myrdal's idea of a society based on democratic principles.⁴⁰

Interestingly, Myrdal sees a class struggle between rich and

³⁸ Ibid.

³⁹ Myrdal develops this line of thought in various writings. See for example Economic Theory and Underdeveloped Regions (London: Gerald Duckworth & Co. Ltd., 1957), pp. 139-140.

⁴⁰ For a typical statement of Myrdal's position on political democracy, see Asian Drama, vol. i, pp. 51-53.

poor nations as a possible outcome of continuing frustration of underdeveloped nations in their attempts to attain some measure of self-sufficiency and prosperity. In putting forward his argument in favor of a welfare world, Myrdal says:

It is a relevant and immensely important question whether Marx's prophesy, which has been proved wrong for the individual nations, may not turn out to be an accurate forecast in regard to the relations between nations . . . The difficulties in the way of instigating a development in the world, parallel to the development within the nations which made Marx a false prophet, are immense.⁴¹

But unlike Marx, Myrdal insists the outcome has not been pre-determined by some law of history--or by anything else. Instead he says the outcome will be determined by the cumulative effect of social forces whose precise influence cannot be measured and which can be measured only roughly.

Despite the obvious differences, the influence of Marx's work on that of Myrdal is substantial, though its form is both positive and negative, subtle and clear-cut. In an autobiographical segment of his writings, Myrdal alludes to a project to analyze Marx's works that he once began but never finished.

(Eli) Heckscher once remarked to me that we seem always to write about what we are against: Marx wrote the history of Capitalism, he himself of Mercantilism, and I analyzed and

⁴¹ An International Economy, p. 324.

criticized Liberalism. If I wanted to be an impartial scientist I should now make the same autopsy of theoretical Marxism. I accepted the challenge and started on a manuscript which, however, was never finished.⁴²

A final tribute to the impact of Marx's work was included in a recent collection of Myrdal's essays.

It would be worth someone's while to go through Marx's voluminous writings, specifically searching for oblique hints he might here and there have given in the directions I have followed. So rich and fecund with associations was Marx's mind that I believe such a search would be fruitful.⁴³

The further back into the history of philosophy one delves, the more tenuous the connections necessarily are with present-day writers. Yet two early thinkers--Thomas Malthus and Thomas Hobbes--merit mention in this discussion of the influences that helped form Myrdal's views.⁴⁴

⁴² Value in Social Theory, p. 253

⁴³ Against the Stream, p. 316.

⁴⁴ In addition James P. Belshaw, in an interesting article in the Indian Economic Journal, "Gunnar Myrdal and Friedrich List on Economic Development", April, 1959, pp. 415-437, has discussed a number of similarities between Myrdal's works and those of List a century earlier. Belshaw sees similarities in their views on agriculture versus manufacturing, international trade, and government policy. However, as with the writings of Max Weber, whose views on methodology run parallel with those of Myrdal in many ways, there is a lack of evidence that List's writings have had a substantial effect in forming Myrdal's views. In fact, such an argument would be difficult to sustain and could only be conjectural at best, for nowhere does Myrdal mention List. Any influence would appear to be indirect and diffuse.

The writings of Malthus have already been mentioned in passing in the context of Wicksell's birth control theories. Wicksell as a teacher stressed the works of Malthus, so it was inevitable that Myrdal as a member of the Swedish School should become well acquainted with his writings. But Myrdal also studied Sweden's demographic trends and, in the mid-1930's, was advocating that the government take steps to alter a trend toward population decline.⁴⁵ The trends Myrdal projected, first in Sweden and later in the industrialized countries generally, pointed to smaller families, negative population growth rates, and, as a result, labor shortages and falling rates of aggregate consumption.

Writing in the 1960's in the context of underdeveloped countries, Myrdal was able to make observations of population trends that more closely resembled those Malthus had foreseen 150 years earlier. But even here Myrdal's policy recommendations were much more comprehensive--and more humane--than those Malthus advocated, writing within the confines of the classical conceptual framework of "natural harmony".

Among the strongest of the peripheral influences on Myrdal were the writings of Thomas Hobbes. Hobbes provides the underpinning of

⁴⁵ See, for example, Population: A Problem for Democracy (Cambridge, Mass.: Harvard University Press, 1940).

Myrdal's basic optimism and faith in the survival of man and civilization. In describing his theory of democracy, Myrdal likes to write in the context of the Negro problem in America. Here, he grapples with the problem of why, if it is so much easier to spread racial discrimination than to combat it, he persists in the belief that discrimination will ultimately be overcome.

The wisest and most virtuous man will hardly leave a print in the sand behind him, meant Hobbes, but an imbecile crank can set fire to a whole town. Why is the world, then, not steadily and rapidly deteriorating, but rather, at least over long periods, progressing? Hobbes raised this question. His answer was, as we know: the State, Leviathan.⁴⁶

Myrdal's answer, though slightly different, is closely related.

Where Hobbes brings to bear the weight and prestige of the State as a stabilizing force in society, Myrdal broadens the concept to include all of the institutional structures that have evolved throughout the centuries--the State, the church, the school, and, in the context in which the above passage was quoted, the American Creed. This faith in the institutions of man, and in their ability to reflect his uppermost ideals, is bolstered by a basically happy interpretation of the history of man. It enables Myrdal to conclude that society does evolve toward its ideals, at least in moments of crisis and in the long run. It enables him to escape

⁴⁶ An American Dilemma, pp. 79-80.

pessimistic conclusions even where short-term projections are particularly ominous, as with the prospects for world-wide economic integration and the 'welfare world', and with the development prospect of the countries of South Asia.

C. Overview of Works

The flow of interests Myrdal has pursued throughout his career has followed closely the pattern of global concerns that have dominated world events during the last 50 years. Myrdal's career, like his writings, has been notable for the way it has centred around the most relevant concerns of the day.

In the comparatively placid environment of Sweden in the 1920's Myrdal concentrated primarily, though not exclusively, on economic theory. The pressing problem of the day was dynamics--Wicksell had formulated a dynamic theory that was seen to have some disquieting flaws, and Alfred Marshall never did publish the book on dynamics he promised in the 1890's. Fittingly, Myrdal's doctoral dissertation was 'Price Formation and Changeability'. In it he introduced to price theory the concept of ex ante-ex post to distinguish between businessmen's expectations and their actual responses along with those of consumers, to price changes. Another theoretical work, eventually published in English in modified form as Monetary Equilibrium, applies the

ex ante-ex post concept to interest rates in a macroeconomic context.

An empirical study Myrdal undertook near the end of the 1920's seems to belie the relationship between the focus of his interests and issues of current concern. The Cost of Living in Sweden 1830-1930⁴⁷ is an economic history study, but it provided the young scholar with a valuable background for formulating policy recommendations in the coming decade.

One reason for this seeming retreat may have been his dissatisfaction at the time with existing methodology. In 1930 he published The Political Element, his first foray into this philosophical labyrinth. In this iconoclastic work he refutes many of the arguments fundamental to the postulates of classical economic theory. But, lacking any acceptable alternative solutions to the remaining questions of value and method, Myrdal concentrated on policy issues for the next few years until a new approach evolved out of his thoughts and works.

Though given plaudits as solid and meticulous works, none of Myrdal's early writings received widespread attention at the time of their publication. Myrdal describes The Political Element as a financial

⁴⁷ This work was translated into English by P. S. King & Son Ltd., London, in 1933. It was part of a larger study, entitled Wages, Cost of Living and National Income in Sweden 1860-1930.

disaster from the publisher's viewpoint, coming out as it did on the eve of the Great Depression. And, as with the works of other Swedish writers, the barriers of language insulated his writings from foreign scrutiny, although there appears to have been some interchange with the Germans.

The onset of the Depression sparked interest throughout Sweden in policy prescriptions for the economic crisis and Myrdal, with his colleagues, responded. The economic crisis was the central issue of the day, and it was in keeping with Myrdal's penchant for the most pressing issues for him to provide policy-oriented writings. Written for politicians and other non-economists, the works of the early 1930's broadened his reputation.⁴⁸

In a 1933 article, "Ends and Means in Political Economy",⁴⁹

⁴⁸ Among Myrdal's "policy" works are "Krisdiskussion. 8 uppsatser i krisfrågor" (Discussion on crisis. Eight papers on the economic crisis); 1931-33; "Sveriges väg genom penningkrisen" (Sweden's way through the monetary crisis), 1931; "Riktlinjer för svensk penningpolitik" (Guidelines for Swedish monetary policy), 1932; "Det svenska jordbrukets läge i världskrisen" (The situation of Swedish agriculture in the world crisis), 1932; and "Socialpolitikens dilemma" (The dilemma of social policy), 1932. The title translations are from a bibliography of Myrdal's works in the Swedish Journal of Economics, December, 1974, pp. 491-497

⁴⁹ "Das Zweck-Mittel-Denken in der Nationalökonomie", originally in Zeitschrift für Nationalökonomie, but important portions translated into English by Paul Streeten in Value in Social Theory, Ch. 10, pp. 206-230.

Myrdal rather hesitantly concluded that the very notion of an "objective" or value-free social science theory is self-contradictory. This theme of inherent normativeness, though conceded with little enthusiasm in the article, was better accepted later. It pervades the rest of Myrdal's methodological writings and his approach to research.

For the next few years, with commitments in politics and government commissions, Myrdal did not embark on a major project to test the method that logic had led him to accept. Instead, he collaborated with his wife on a study of the family in Sweden and in further policy writings. The gist of these writings is that government programs in "social engineering" can create an environment which will broaden and expand the role of women in society without penalizing the children, and will generally improve family conditions. But the new emphasis on human and sociological factors was not at the expense of economics: indeed, the underlying reason for concern about population decline was the effect it could have on the supply of labor and on aggregate demand.

In An American Dilemma, a major study of American society, Myrdal had a subject large enough to allow him a full-scale application of his new-found methodology and value system. Examining all facets of American life as it was in the late 1930's, Myrdal placed the economic issues in the social, political psychological and moral context he believed to be most relevant. He adopted the value system he found in

the Amercian Creed and adapted a conceptual framework of cumulative causation that stressed the tendency toward disequilibrium, and that had its genesis in Wicksell's cumulative process.

Myrdal had come a long way in the decade between the publication of his doctoral thesis and the beginning of his American study. In 1928 he was a newly-graduated economic theoretician floundering in a seemingly unsolvable methodological riddle. But by 1938 he was a confident and mature economics researcher who had resolved his dilemma. He had reconciled in his own mind the conflicting roles of theory, empirical observations and society's moral norms. The important questions of method had been resolved, at least to a point where they were practicable. All subsequent additions to the basic theory would be embellishments rather than fundamental contributions.

By the end of the Second World War Myrdal had returned to a more active public life in politics, and soon after it became a senior executive with the United Nations Economic Commission for Europe, and a director of the Swedish Central Bank. His academic life was again thrust into the background. But Myrdal was able to capitalize on the experience he gained observing political phenomena both domestically and internationally in the preparation of his next major study, An International Economy, published in 1956. The dominant theme of this work is, first, that the welfare state proved to be a necessary outgrowth

of industrialization, democracy and institutionalized planning in the more advanced countries, and second, that a welfare world is a logical projection of the trend in an increasingly industrialized and democratic world. But he admits that in view of a plethora of practical problems, the welfare world appears at best to be far in the future.

In two subsequent works written from essentially the same premise--Economic Theory and the Underdeveloped Nations and Beyond the Welfare State--Myrdal focuses on the problem of the growing wealth gap between rich and poor nations and the role of international trade in exacerbating this trend, and the human side of the welfare world he envisages. In these works, the welfare world is put forward as the ideal, and the moral perspective is that nations should set as a goal the achievement of this ideal. Such a frame of mind is mandatory, he argues, for the institutional system is tending away from world-wide equality due to the disequilibrating tendency of circular causation with cumulative results.

Myrdal believes that one of the leading obstacles to the development of a welfare world is the recalcitrance of the United States to adopt more progressive social policies. This trait is reflected in levels of poverty among some segments of the American population which he says are a disgrace to a nation so rich. Myrdal discusses in some detail this

situation in Challenge to Affluence , published in 1963.

Starting in the late 1950's, Myrdal focused his attention on one region of the world--South Asia--in an attempt to ascertain the reasons for widespread and worsening poverty. The study took about 10 years and, as its author admits, has raised more questions than it has answered. In Asian Drama, published in 1967, Myrdal stresses the futility of attempting to analyze what is happening within the region in terms of theoretical concepts developed in the context of Western industrialized society and Western institutions. Also indicated are gaping lacunae in statistical and factual data essential to a realistic comprehension of developments within the region.

Myrdal concludes that a leading cause of the faulty conclusions and misinformation that has resulted from the Western approach is the fact that the arguments have been phrased strictly in terms of investment and production when in fact the determining conditions were frequently traced to attitudes and institutions. The Western approach, he argues, begins with the premise that attitudes, institutions, and indeed policy, stem from conditions of income and productivity, while Myrdal maintains that the exact opposite is more often closer to the truth. A sequel to the three-volume Asian Drama appeared in 1970: The Challenge of World Poverty, a work which emphasized the policy

conclusions of the larger work.

Also published at about the same time is a slim volume, Objectivity in Social Research. This book represents the culmination of the methodological conclusions Myrdal developed over his lifetime, and is a convenient summary of his findings.

The flow of Myrdal's writings is in tune with the flow of world events. From dynamic theory in the 1920's and economic and human crisis in the 1930's Myrdal moved to international issues in the post-war era. He saw international integration as a desirable ideal in the face of East-West ideological confrontation. From there it was a short step to a first-hand investigation of the problems facing the poorest nations, a concern that is increasing in its world-wide relevance as the rich-poor gap widens and the battle for spheres of influence among the major protagonists develops. But never in any of the major studies does the answer to the most urgent problems stray far from the realm of moral responsibility. This is the case with "social engineering" urged to improve society in Sweden and elsewhere, in the American context of a downtrodden caste existing in the face of an ethical creed that extols the virtues of equal opportunity, and in a world where one cluster of nations becomes increasingly wealthy while the others retrogress. In each of these studies, there exists a cumulative trend toward increasing disequilibrium, with human intervention through

institutional mechanisms seen as the only possible way to reverse this trend in a dynamic world.

CHAPTER II

APPROACH AND METHOD

A discussion of Myrdal's approach and method reveals the importance of values and their role in establishing norms in his economics. For Myrdal method is so inextricably mingled with value that it is necessary to elaborate both in detail to pave the way for a clear discussion. Method provides the means for conducting research in social science, but value provides the ends, and there is a complex interaction between the two.

Method provides the bridge across the chasm between empirical facts and subjective values. It enables the researcher to evaluate the relevance of facts within a framework provided by the subjects of a study, minimizing the interference within the framework of the personal values of the researcher.

This is not to say that the role of the researcher's predilections is reduced to zero. "All social study," says Myrdal in his discussion of the value premises adopted for Asian Drama, "even on the theoretical level where facts and causal relations are ascertained, is policy-directed, in the sense that it assumes a particular direction of social change to be

desirable".¹ Myrdal continues:

Ideally, sets of alternative value premises should be used; however, this usually presents a complication too great to contend with. It is true that by stating one set of value premises we not only inform the reader of the valuations implicit in a study but also make it easier for him to substitute another set. But the value premises used in the study do not lose their strategic advantage; it was that set that steered the interests and determined the approaches, the statement of problems, and the definition of concepts.²

Nevertheless, Myrdal's method, using the explicitly-stated value premises, does serve to keep the norms of the study clearly before the researcher so that he may examine the facts in a systematic and disciplined way.

The discussion of method in this chapter is divided into two parts--the characteristics and the elements of Myrdal's approach. The difference between the two is subtle, but characteristics are of a more personal nature than are the elements. Characteristics are more directly an extension, or a reflection, of one's personality, while the elements are deliberately cultivated aspects of one's work.

¹Asian Drama, vol. i, p. 49.

²ibid.

A. Characteristics

1. Universalism

Myrdal's most basic trait is universalism. It is reflected in the breadth and depth of his writings, and in his concern for the human aspects of economic problems. It drives him to structure his economic research on a broad, often global and always moral, base. It requires him to frame his questions in broad terms, often forcing him to venture in his pursuit of economic research into areas commonly regarded as "other disciplines". As a result, his work is often subject to scrutiny by specialists in other fields. In his research, once the problem is defined, the only meaningful criterion he recognizes in delineating limits to his purview is relevance.

As early as the 1930's Myrdal demonstrated his belief that the quality of life is as important a concern for the economist as the quantity of goods he produces or consumes. To improve the quality of life in Sweden he advocated a variety of "social engineering" programs for the government. In An American Dilemma, human dignity and the right to equal opportunity in society are depicted not only as values in their own right, and as the source of economic controversy over the distribution of the benefits of American society, but also as a moral

imperative. Similarly, in the writings on the world's underdeveloped regions, Myrdal contends that the large and growing economic inequalities between rich and poor countries are traceable to political events and social precedents in history, rather than to some "natural law". As a result, he says, it is not only possible but desirable for the wealthy nations and the members of upper classes in the poor countries to work toward increasing equality of opportunity for all citizens. This is a moral responsibility. In all of the works referred to here, the social, political, psychological, historical and moral elements of society impinge heavily--often decisively--on economic consideration.

Characteristically for Myrdal, the project that ultimately resulted in The Political Element's publication was initially conceived as a brief study of contemporary philosophical controversies on economic theory in Sweden. Soon it expanded into a two-year study of the effects of political expediency on the evolution of economic theory from the time of Adam Smith. Again, what was seen as relevant was included.³

³Value in Social Theory, pp. 237-262.

Even during the early part of Myrdal's career, when he confined his endeavors within more conventional limits, he applied his ideas to the entire discipline--that is, to both micro- and macroeconomics. His doctoral dissertation was an analysis of some aspects of price changes at the individual product level; a companion study on monetary equilibrium a few years later applied the analysis to interest rates and macroeconomic considerations.⁴

The universalist tendency Myrdal exhibits has enabled him to see economic theory in the context of a long-run historical approach, incorporating institutional developments. It has enabled him to focus on whatever aspects appeared to provide essential theoretical contributions to the problems under study. Social attitudes, institutions and policy decisions are often seen as prime determinants.

2. Dynamics

The events which impinge most heavily upon societies, and which therefore are among the most relevant to the search for social solutions, invariably embody change of some sort. This led Myrdal

⁴Not surprisingly, however, a sizable amount of the discussion in Monetary Equilibrium is devoted to microeconomic aspects of the problem. One would expect the converse to be true in the dissertation.

to concern himself with the problems of dynamics. The problem of dynamics in economic theory was being debated in the Swedish School as Myrdal launched his academic career. His earliest contribution to the dialogue--the ex ante-ex post concept--is addressed to the problem of price and interest rate movements. But the discussion in "Price Formation and Changeability" is comparative static in nature. It is concerned with anticipations and responses to events at different points in time, rather than with the calculus concept of continuous rates of change.

In Monetary Equilibrium the discussion to some extent parallels that of "Price Formation and Changeability" in that it deals with anticipations and responses to interest rate changes and effects on prices in general. But here the hand of Wicksell is visible, for there is also emphasis on a continuous dynamic movement away from equilibrium between "natural" and "real" interest levels and their interactions with other elements in the economy.

Later, Wicksell's "cumulative effect" was adapted to a wider conceptual framework and became the basis of Myrdal's "circular causation with cumulative effect", to be discussed in section B. It is consistent with Myrdal's conviction that a dynamic framework is the

only meaningful one with which to abstract from reality, since change is an inescapable aspect of reality. Continuous change and continuous interaction between means, ends and side effects are observable with a high degree of accuracy if the observer is armed with clear-cut values from which to form his perspective and a firm understanding of the ways in which conditions and events interact with one another. This construct was to serve equally well in illustrating the matrix of factors influencing racial injustice in the case of the American Negro, the centripetal tendencies working against worldwide economic integration, and the multiplicity of interacting elements determining the direction of developments in the nations of South Asia.

The concept underlying the theory of circular causation is straightforward. It is simply that at any time there is a number of forces at work, both positive and negative, tending to move society toward or away from a stated ideal condition. Most of these forces are observable, although they may not be measurable. Some, though not all, of the forces can generally be considered manageable by policy-making. The overall net tendency may be ascertained. Any change in one or more elements of the matrix of forces, either in direction or intensity, will tend to move society in the same direction as the new

tendency. For Myrdal, to think in these terms became almost an extension of his scholarly personality, so natural was it for him to think in dynamic terms.

3. Iconoclasm

A critical approach to the writings of others was encouraged in the milieu of the Swedish School. Moreover, Myrdal was experiencing frustration in trying to work fruitfully within the confines of a rigidly delineated discipline. The result was an iconoclastic reaction, first manifested in 1929 when The Political Element was first published in Swedish. Here, Myrdal gave vent to his frustration, focusing on his intellectual precursors' theoretical limitations and fallacious conclusions in an unsuccessful quest for a truly "objective" research method. One after the other the classical masters were subjected to Myrdal's methodical probing and found, on logical grounds, to be wanting in their claims to objectivity. But the criticisms were basically iconoclastic, for Myrdal was unable to offset his criticisms with a satisfactory alternative method.

Myrdal's favorite method of criticism was what he termed the "immanent criticism". The best example of this type of criticism is in Monetary Equilibrium, where he adapts it to propound his ideas on monetary equilibrium, emphasizing the ways in which his concept differs from that of Wicksell:

My analysis will be of an immanent nature in so far as I shall take over in the beginning the fundamental features of Wicksell's monetary theory and shall develop my own arguments under the assumption of the fundamental correctness of his explanation.⁵

In The Political Element, where Myrdal is not trying to drive home a positive argument, the criticism is "immanent" in so far as he demonstrates the inapplicability of theory based on "natural law" and "natural equilibrium", and subsequently relates the theories he discusses to these concepts.

Economists had adopted the concept of 'law' from the philosophy of natural law. As long as 'natural law' concealed the peculiar ambiguity of the word 'natural', the same doctrine could contain both scientific descriptions and political prescriptions. But as a result of the empirical tendencies of utilitarianism and perhaps even more under the influence of the rapidly developing natural sciences, the concept of the law of nature came to mean more specifically a scientific, empirical law. This was the beginning of the conflict between 'value' and 'law' in economics.⁶

In later years, after Myrdal had satisfied himself that he had found an acceptable alternative to "objective" research, he was more prone to balance his critical writings by putting forward substitute ideas. But he never lost the debater's instinct, which perhaps was what first drew him into law, for attacking--and at times attacking viciously--the positions of those with whom he could not agree.

⁵ Monetary Equilibrium, p. 31

⁶ The Political Element, pp. 56-57.

In An American Dilemma he rejects emphatically the static social theory of William Sumner and others that "stateways cannot change folkways"--in other words, that the state cannot enforce an end to discriminatory practices against Negroes, simply because of the accumulated force of tradition and custom. Like the classical philosophers, Myrdal says, Sumner argues from a static standpoint based on the premises of "natural law", and so is subject to attack on similar grounds.

It should be noted that--in spite of its psychologism, its ethical relativism, its modernized terminology, and the abundant anthropological illustrations--this theory is nothing else than a reformulation and slight modification of the old laissez-faire doctrine of the "natural order" as it was more naively set forth in the Enlightenment period: human relations are governed by "natural laws"; "natural laws" are not only the right laws but are also, in the main, and in spite of all the interferences of foolish governments, actually permeating real life; they do not need to be legalized.⁷

Myrdal this time further strengthens his arguments against Sumner by presenting his own dynamic theory that weight of tradition is only one factor influencing the Negro situation, that discrimination also results from ignorance and opportunistic knowledge, and that discrimination runs counter to the tenets of the American Creed. Speaking directly to Sumner's argument, Myrdal proposes an immanent criticism of the works of Sumner and his followers.

⁷ An American Dilemma, p. 1054

To bring out the nature of this bias and demonstrate the arbitrariness thereby inserted into research, we may consider the same facts that have been observed by Sumner, Park, and Ogburn and add to them an explicit and dynamic value premise (instead of the implicit fatalistic and static one) and from these deduce a quite different practical conclusion.⁸

The situation is similar in Myrdal's analysis of the reasons for the growing gap in wealth between rich and poor countries. He criticizes as static and opportunistic the traditional, static concept of "backward countries" and the assumptions of unchanging conditions, and the laissez-faire foundations for international trade theory. The theory Myrdal substitutes emphasizes historical and political factors which provide equally plausible explanations of the lack of progress in stimulating progress in the countries he terms "underdeveloped", and adds policy prescriptions based on these more dynamic, positive premises.

Asian Drama provides a wealth of examples of criticisms of various orthodoxies. But the most vituperative is a devastating, two-dimensional attack on the use of a capital/output economic model to explain the economics of the underdeveloped countries in his study. Yet, he continues in a 60-page appendix, not only are such models regularly used to explain theory, they are used to determine policy. This he regards as a travesty of truth. He demonstrates the logical shortcomings of such an approach not only from the logical standpoint of relevance

⁸ Ibid , pp. 1052-53.

(the transcendental criticism), but also by accepting the assumptions implicit in the model and attempting to apply it (the immanent criticism).⁹

In short, although the more mature Myrdal is able to put forward alternative hypotheses, the highly critical tendencies of his younger days are carried forward and form an integral part of even the later writings.

4. Optimism

Despite the ominous portents Myrdal sees in many of his studies, he remains optimistic in a fundamental way. Such a posture at first appears contradictory in a figure for whom logic plays such an important role in analysis. But there are three separate though inter-related justifications for his happy state of mind.

⁹ Myrdal distinguishes between the two in a footnote to Appendix 3, Asian Drama, vol. iii, p. 1943. There he says: "Transcendental and immanent criticism cannot be sharply distinguished. To criticize abstraction from a variable that is in fact subject to larger changes than the variable analyzed is transcendental criticism. To criticize abstraction from a variable whose change is logically implied in the assumptions of a model is immanent criticism. But, for certain purposes, change that is logically implied can nevertheless be regarded as inessential. The question whether the change is indeed essential is therefore partly one of transcendental and partly one of immanent criticism. Thus many models abstract from the passage of time, without denying that all events must occur in time. But if the passage of time can be shown to change crucially certain factors assumed to be constant, a criticism that points this out is partly transcendental, partly immanent".

The first is his innate faith in man--a trait diametrically opposed to cynicism. This trait first becomes apparent in An American Dilemma, where, in the face of contradictory statements by people who have successfully reconciled in their day-to-day living the reality of racial discrimination in the face of the ideals embodied in the American Creed, he perceives not cynicism or even dishonesty but rather an opportunism of ignorance: the contradictions simply are not recognized. Instead of concluding that the prospects for increased equality are dim because of this deception, he looks to the tendency he observes in men to respond to their ideals when acting under the aegis of institutions, and to traits, he sees in Americans of generosity and basic fairmindedness and a bias in favor of democratic principles.¹⁰

A second cause for Myrdal's optimism in the face of depressing evidence in his belief in the power of the Social Contract. In An American Dilemma, he cites Hobbes, who saw in the State, Leviathan, the vehicle by which, over time, civilizations are built. Myrdal broadens the concept of Leviathan and sees the institutions of man as the true harbingers of progress and of positive inspiration that has throughout history overcome tremendous odds.

¹⁰ An American Dilemma, Chapter 45, pp. 997-1024

The third factor is the long-run perspective which Myrdal adopts. Although most of the historical references he makes in his writings are confined to the last 200 years, this can be attributed to the fact that it is in this period that the science of economics had developed. But the important feature of a long-run point of view is that, over decades and centuries, man has been able to grapple successfully with many problems that have appeared insurmountable from the vantage point of a generation or less.¹¹ Myrdal asserts emphatically and repeatedly that he is neither a determinist, who believes in some pre-ordained formula for events to follow, or a defeatist, who can look at the array of negative evidence and

¹¹ This point is most poignantly made in Arnold J. Toynbee's A Study of History (New York: Oxford University Press, 1962), vol. ii, pp. 65-73. In a section entitled "The Struggle for North America", Toynbee, whose approach to history is as panoramic as Myrdal's is to economics, depicts from the vantage point of observers of the day, who might have been seen as the likeliest of the European contenders for colonial supremacy in North America. In the middle of the 17th century, he says, the battle appears to be between the French and the Dutch, the fortunes of the British appearing particularly low at that time. A century later, the British appear to have won the day. But, by the turn of the 19th century, the Americans have won their independence, a possibility not entertained by the most astute observer 150 years earlier. Toynbee carries the discussion a step farther, showing how the Southerners appear to be the dominant force in the new country, a development ultimately betrayed by events 60 years later. The point is, future events are so unpredictable from the vantage point of the present that even the most prescient of observers can only make bad guesses as to the state of affairs a century hence, and even to the course of events leading into the future.

see only the short-run projections of present trends. Myrdal moreover is optimistic about the possibilities for overcoming difficulties through the use of applying, through policy, the findings of economic research.

5. Rationalism

Throughout his writings, Myrdal implicitly assumes that man is at base a rational being. Like his optimism, this trait is a manifestation of his inherent faith in man. Despite his theory of opportunism of knowledge and ignorance, Myrdal insists that the process of human decision-making is essentially a rational one, both at the level of the individual and of the state. In fact, it is this rationalism that at times forces man to abandon his ideals in favor of more pragmatic alternatives.

This faith in rationalism is exemplified in Myrdal's use of a logical approach in presenting his arguments (which, generally, are aimed at the reader's "higher" valuations). This is because he believes in the ultimate strength of logical arguments bolstered with facts. For Myrdal "facts kick".¹²

6. Idealism

That Myrdal is idealistic and moralistic in his approach to economics is a central tenet of this thesis. Myrdal's approach, as we shall see in the next section, is to state explicitly the value premises he has derived

¹²The Challenge of World Poverty, p. 20, and elsewhere.

from a study of his subjects, and to draw from these the ideals toward which they are striving. Myrdal contends that a society must have a set of ideals, however unattainable, to strive for. In An American Dilemma the goals are the principles of equality embodied in the American Creed; in An International Economy and the related writings it is the goal of worldwide economic integration and the realization of the "welfare world"; and in Asian Drama it is the institutional changes Myrdal terms the modernization ideals. Subsumed in each of these sets of value premises is an underlying set of personal principles which Myrdal sees as being desirable for all men.¹³

The valuations which Myrdal espouses in his research projects are all logical in that they represent what he believes to be the valuations of those being studied. But they also are linked to his personal sets of values, which surface from time to time throughout his writings. These valuations, like the optimism and rationalism described above, spring directly from the man's character and cannot be logically justified; but they are of integral importance in all of his research.

B. Elements

1. Theoretical Framework

The theoretical framework which Myrdal applies in virtually all of

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However, Myrdal is careful to point out that no valuations can be considered as universal in research. See Ch. II, Section 5, below.

his writings after 1931 is an offshoot of Wicksell's concept of the cumulative process. Wicksell's theory, developed in the context of a system of productivity rates, interest rates, prices and value of capital, states that when productivity rates of capital diverge from the interest rates charged by the financial institutions, a cumulative process is set in motion which results, among other things, in a widening of the initial gap.¹⁴

In Monetary Equilibrium, Myrdal accepts the fundamental framework conceived by Wicksell and presents his own monetary theory as an adaptation of it. One fundamental change is Myrdal's rejection of Wicksell's assumption of an initial position of equilibrium, which Myrdal sees as unrealistic. Left intact, however, is the framework itself. It provides that the direction in which the system moves is determined by the net effect of a matrix of factors. The system gains momentum as the number of determinants operating in the same direction increases, and indeed, there is seen to be a tendency to gain momentum away from the equilibrium position.

From there, it is a short step for Myrdal to generalize that all

¹⁴ Wicksell's theory was first developed in 1898 in Geldzkins und Guterpreise, published in English in 1936 as Interest and Prices (London: MacMillan & Co. Ltd.). Myrdal elaborates Wicksell's cumulative process and monetary theory briefly in Monetary Equilibrium, Ch. III, pp. 29-48.

human endeavor can and should be conceptualized in similar manner. Whatever factors impinge most heavily upon the system--that is, are the most relevant--become the dominant subjects for analysis in the study. In the context of Swedish monetary conditions these are, for Wicksell, the "natural rate" of interest, the rate of savings and of investment, and the price level; for Myrdal they are slightly different.¹⁵ But an analysis of the causes of development--or the lack of it--in the world's poorest countries must range far beyond the factors directly determining consumption and investment within the money economy. It must embrace such diverse factors as attitudes, institutions, nutrition levels and government policy towards education, and such factors are indeed given a place in Myrdal's framework. But the unifying feature of Wicksell's and Myrdal's cumulative systems is the sharp focus given to selected, strategic factors.

Another basic feature of Myrdal's system is that it presupposes a world which tends toward disequilibrium. If there is an equilibrium position within the system, it is unstable. As with physics, Myrdal says, social equilibrium may be stable or unstable, static or dynamic. In the world Myrdal describes in his writings, the world of the 20th century, equilibrium is seen to be at best unstable, and always

¹⁵ These aspects of monetary equilibrium are elaborated more fully in Ch. III, below.

dynamic.¹⁶

The example of the Negro in America society is applied in An American Dilemma. He assumes, for the simplicity of the example and at the expense of some degree of accuracy, an initial equilibrium position, with the Negroes as a minority caste. Then, he says, imagine an external push to the system--either forward, such as an expansion of job opportunities for Negroes, or backward, such as a setback in the fight for civil rights by an adverse court decision. According to which push takes place --or, if both occur at the same time, which is stronger--the cumulative process, upward or downward, is started in motion. There already are in existence forces pushing and pulling, forces emanating from the institutions being studied. The net effect of the new forces is to upset the equilibrium. Therefore, Myrdal argues, consciously-formulated policy can improve the lot of the Negro, but the process may be slow, may in fact appear to be negligible so slow is the system to respond at first.

¹⁶ See An American Dilemma, Appendix 3, pp. 1065-1070. The concept is also introduced in Economic Theory and Underdeveloped Regions, pp. 11-22, and in Asian Drama, Appendix 2, pp. 1843-1859. For a physical analogy, a pencil may be balanced precariously on its end (unstable equilibrium) or by laying it on its side (stable equilibrium). It may be sitting still (static equilibrium) or rolling after a push (dynamic equilibrium).

The cumulative causation framework operates in similar fashion in considering the effects of international trade on underdeveloped countries. Here Myrdal compares the "backwash" effects, which operate to hamper the development of underdeveloped countries, with the "spread" effects which work to benefit them. In this case, he argues that the "backwash" effects can be easily seen to be winning the day because the size of the wealth gap between rich and poor nations is increasing for reasons that can in part be traced to trade practices. The trend toward disequilibrium is continuing apace.¹⁷

2. Objectivity

In his earliest writings, Myrdal expresses a belief in the existence of some "objective truth" which has, so far, eluded all attempts to bring it to light. The Political Element highlighted Myrdal's discovery that economic theorists of the previous 150 years, though laboring under the illusion that they were applying "objective" techniques and arriving at "objective" conclusions, were unconsciously reflecting their political beliefs, were often, in fact, simply rationalizing and justifying their governments' actions. Myrdal found this as disconcerting as it was disillusioning, for it left him with no acceptable alternative "objective" method. He was forced to advocate, instead, the explicit statement of

¹⁷ Economic Theory and Underdeveloped Regions, pp. 23-38.

subjective values adopted for a research project. At least then there would be no inadvertent self-deception--or conscious sleight-of-hand--by the researcher in establishing his value premises.

The necessity of a subjective perspective which Myrdal arrived at grudgingly but tentatively in The Political Element in 1929 was seen by 1933 to be inescapable. "Objective" reality is a patternless jumble of interrelated facts and conditions, he wrote in "Ends and Means in Political Economy".¹⁸ The only bases for arranging them in some

¹⁸ Translated into English in Value in Social Theory, Ch. 10, pp. 206-231. An analogy could be drawn with photography. The photographer can capture a scene on film by pointing his camera arbitrarily--perhaps without even looking through his viewing screen--and all of the elements comprising a picture will be present. The camera "sees" all objects "objectively", and the elements that are prominent in the resulting photographs will be so as a matter of chance rather than as a result of a logical plan. The beautiful elements, the ugly, the bright, the dull--all interact to comprise a scene whose impact on the viewer will be entirely a matter of chance: where did the photographer happen to stand? But to make a meaningful photographic statement, the photographer plans carefully his vantage point, selects the elements he wishes to emphasize, and sets up his lighting to emphasize still further his interpretation of the scene. The decision of what elements to highlight is subjective: it is determined by the type of picture the photographer wants. It is "objective" only in the sense that it is under control. The photographer will look for diagonal lines to emphasize movement, horizontal lines for serenity; reds and yellows to convey warmth, blues and greens for coolness, grays for melancholy. What he gets is determined by where he decides to stand and what he plans to emphasize by putting in the most prominent areas of the photograph. An advertising photographer attempting to create pleasant associations in the viewer's mind with the product of his client may be objective in his method of arriving at a successful picture though subjective in the sense that he is adopting his client's goals. A social scientist ascertaining the values

coherent manner, he concluded, are through subjective perception of them.

The policy-oriented writings Myrdal produced during the 1930's were written from just such a subjective approach. Early in the decade, when his focus was on monetary policy, the clearly formulated objective was to deal effectively with the worldwide economic crisis as it affected Sweden. The sought-for policy would renew economic expansion and improve living conditions. Later, he broadened his policy objectives to include specific social goals.¹⁹

Other explicitly-stated sets of value premises Myrdal adopted in different projects include the democratic principles embodied in the American Creed; the desirability of world-wide economic integration as a vehicle to improve the equality of opportunity among the world's citizenry; and a package of valuations termed "the modernization ideals" to facilitate increased productivity, improved wealth distribution, and a better life for most of the citizens of the underdeveloped countries.

and aspirations of his clientele is not in a radically different position.

¹⁹ See Population: A Problem for Democracy (Cambridge, Mass. Harvard University Press, 1940).

Determining the desired perspective is of overriding importance, as illustrated in Myrdal's discussion of the choice of "the modernization ideals" as the value premises for Asian Drama.

It would be perfectly feasible to carry out a quite objective scientific study of the problems of underdevelopment, development, and planning for development in the countries of South Asia from the point of view of Western or American political and military interests in the region, or from the viewpoint of those same interests on the part of the Communist countries, or some of them. Such an approach, however, should spell out these interests, clarifying their role as value premises in determining the direction of study. With the cards thus placed on the table, such a study could not be censured on methodological grounds.²⁰

3. Semantics

Absolute clarity of terminology is a precondition to logical discussion. This may involve nothing more than identifying the precise meaning, for the purpose of the discussion at hand, of terms that could be interpreted in more than one way. But Myrdal argues that more than fuzzy notions or misinterpreted ideas may be at stake. He says that where claims to objectivity are made, such as in the writings of the classical economists or, in more recent times, in the works of the "positive" economists, valuations are "bootlegged" inadvertently into the discussion through the use of value-laden terms. The result, he says, is bias, "that type of systematic, though unintentional, falsification of our conception of reality."²¹

²⁰ Asian Drama, vol. i, p. 50.

²¹ Against the Stream, p. 53.

Where the outcome of the discussion is not deliberately misleading, as with propaganda, it is rendered ambiguous and susceptible to interpretations convenient to the reader. The solution, Myrdal says, is not to avoid such terms, but instead to define them explicitly.

The term "valuations", used above and elsewhere in this thesis, is a classic example of a value-laden concept. So central is the importance of a correct understanding of this term to the arguments developed here, that Myrdal's discussion of the term in a recent collection of articles will be quoted at length.

To stress the subjectivity of the valuation process, I deliberately use the word "valuations" and avoid the term "values"--which is so popular in all social sciences, not only in sociology and anthropology--except in the combination "value premises", used when certain valuations have been defined and made explicit for use in research.

The use of the term "values" invites confusion between valuations in a subjective sense, the object of these valuations, and indeed often the whole social setting of valuations. The term "values" also often contains a hidden value premise, namely that a "value" that is believed to exist is eo ipso valuable in some objective sense; this usually implies a bias of the laissez-faire variety.

The term "values", finally, carries the association of something solid, homogeneous, and fairly stable, while in reality valuations are regularly contradictory, even in the mind of a single individual, and also unstable, particularly in modern society. Human behaviour is typically the result of compromises between valuations on different levels of generality.²²

²² Ibid, pp. 33-34. The chapter containing this passage was adapted from an article published in the first issue of the Journal of Social Policy, Cambridge University Press, Jan., 1972.

Misleading terminology can lead to distorted concepts of reality.

For example, Myrdal cites the term "United Nations" as one of the worst misnomers in the terminology of international relations. The phrase implies, and leads not only the uninitiated but also many of those who should know better to believe that the United Nations is a supra-state, and that the General Assembly is a global parliament. In fact, the term is a logical fallacy. The representatives of the General Assembly are appointed by their respective governments and are instructed to present the views of these governments in the General Assembly forum. The cacophony of voices, each with a different view to put forward from a different government, often more closely resembles a Disunited Nations. Moreover, the United Nations has no legitimate means of enforcing decisions taken or resolutions passed as a result of its deliberations. But the term remains, and its real meaning must be borne in mind if one is to avoid unconsciously adopting its implied meaning. The term implies an ideal rather than a reflection of reality.²³

Value-laden terminology can be invoked to imply other states of affairs that may or may not exist. The term, "developing country", frequently used to refer to a poor country, begs the question of whether in fact

²³From "Twisted Terminology and Biased Ideas", Against the Stream, Ch. 8, pp. 158-166.

development is taking place. A term in vogue a generation ago, "backward country", implies, falsely, that conditions within a poor country are static. Myrdal has adopted the more ponderous but precise term "underdeveloped country", a term which is also value-laden. It intrinsically implies that more development would have a favorable effect on the country being discussed; where such a valuation is consistent with the value premises chosen, and where "development" is clearly defined, such a term would not be misleading.²⁴

Other misdirected terms have their origin in a cultural setting where they are appropriate, and are transferred elsewhere at the expense of accuracy and with important policy implications. One such term is "underemployment", frequently used by Western observers in underdeveloped countries. The term implies that many members of the labor force could be "skimmed off" for more productive employment elsewhere in the economy. But, Myrdal says, relocation programs to relieve "underemployment" bypass the possibilities to be explored by introducing newer tools and techniques within the existing framework, and risk significant social and institutional dislocations.²⁵

²⁴ These terms are discussed in " 'Value-loaded' Concepts", in Money, Growth and Methodology and Other Essays in Honor of Johan Akerman, H. Hegeland, Ed. (Lund: CWK Gleerup, 1961), pp. 273-288.

²⁵ Ibid.

Myrdal admits that some terms are inescapably vague. But the vagueness does not stem from a careless use of the terms or from faulty logic. It stems from the unique values imputed to such terms by the user. Terms such as "freedom" or "democracy" or "economic integration" are impossible to pinpoint. In such cases, Myrdal says, it is vitally important to identify such terms as value-laden, to minimize the propagandistic overtones, and to state explicitly whatever nuances of meaning are being imputed in the present context. Here as nowhere else do values enter "objective" discussions.

Only in one context is Myrdal content to allow avoidable vagueness in terminology--in the delineation of the various academic disciplines which comprise social science. In reality, he says, there are not economic, sociological, or psychological problems, but simply problems, and they are generally complex.

The one and only type of concept that it is permissible to keep vague is the meaning of terms such as economics, sociology, psychology, or history, since no scientific inference can ever depend on their definitions.²⁶

In all other contexts, he says, failure to define key terms explicitly risks misunderstanding, misinterpretation, and the loss of control of the subject matter. Therefore, semantics are discussed frequently throughout Myrdal's

²⁶ Objectivity in Social Research (London: Gerald Duckworth & Co. Ltd., 1969), p. 10.

works.

4. Epistemology

In his study of the race problem in the United States, Myrdal deals with some of the practical problems associated with determining the values to be adopted during research. Central to the relevance of the study, Myrdal believes, is tying of values adopted to those reflected in the population being observed, the latter being determined empirically.²⁷

In the American study, Myrdal adopted the ideals embodied in the American Creed since these were explicit, purposefully selected, relevant and significant. But in determining the value premises of American society, Myrdal encountered a plethora of conflict and contradictions both from different segments of society and from within individuals. As a result, he devotes a sizable section of the text and of the appendices of An American Dilemma to an examination of the social and psychological mechanisms responsible for these conflicts. The conflicts, he concludes, centre around confusion between beliefs, valuations, facts, opinions, and our tendency to opportunistic bias.

Myrdal defines a belief as one's concept of what is; a valuation is the normative concept of what ought to be.²⁸ The two are frequently

²⁷ Ibid, pp. 63-72.

²⁸ This discussion is distilled from An American Dilemma, the Introduction, Ch. 1 and 2, and appendices 1, 2 and 10, pp.

confused, he says, because people do not normally distinguish between them consciously. Further complicating the relationship is, as we shall see presently, the role played by facts. Finally, opinions generally are a combination of beliefs and valuations.

Valuations held by a person will normally conflict not only with some of his beliefs or with facts, but will normally conflict even among themselves. But because such conflicts are irrational, and because we are conditioned to assume the human norm to be that of a person with rational, consistent valuations, people have a tendency to ignore the conflicts. When this is not possible, we will, Myrdal says, opportunistically ignore or distort our beliefs or opinions, or even facts and their interpretations, to maintain a facade of rationality.

Myrdal's description of the interaction of conflicting valuations is the stuff of which the cosmic dramas--and Freudian theory--are made.

The moral struggle goes on within people and not only between them. As people's valuations are conflicting, behavior normally becomes a moral compromise. There are no homogeneous "attitudes" behind human behavior but a mesh of struggling inclination interests and ideals, some held conscious and some suppressed for long intervals but all active in bending behavior in their direction.²⁹

lxix-lxxxiii, 1-49, 1027-1064, and 1136-1144. Much of this material is reproduced in Value in Social Theory.

²⁹ Ibid, p. lxxii. Chapter 2 is devoted to a discussion of graphic examples of this unconscious rationalizing--a cocktail party where the guests all agree that there is no race problem in the South, an artist who creates a sculpture depicting a lynching who is unable to

Myrdal separates the conflicting valuations into "pragmatic" valuations, those we generally apply in day-to-day situations, and "general" valuations, which generally correspond more closely to our ideals, and are more commonly invoked in the third person or in the abstract. But he is careful to stress his belief that the internal conflicts result in our attempts to deny--to ourselves as well as to others--the inconsistencies of our valuations, rather than outright dishonesty.

Trying to defend their behavior to others, and primarily to themselves, people will attempt to conceal the conflict between their different valuations of what is desirable and undesirable, right or wrong, by keeping away some valuations from awareness and by focusing attention on others. For the same opportune purpose people will twist and mutilate their beliefs of how social reality actually is.³⁰

Similarly, "personal" opinions frequently diverge dramatically from "political" opinions.

A man's opinion as to the desirable size of a normal family might be totally different, on the one hand, when he faces the problem as a citizen taking a stand on the population issue if this is brought to the political forefront and, on the other hand, when he faces his own family limitation problem.³¹

admit even to himself what the theme really is, are among the many illustrations of this trait, based on Myrdal's travels and observations in the United States.

³⁰ Ibid.

³¹ Ibid., pp. 1139-1140. Myrdal, with just three children, though he advocated families of five or six, may have been influenced here by his own family situation.

Often the path of rationalizing the difference between private practice and public belief is to argue that what is not acceptable in the present society would be acceptable if society in general were to adopt other changes.

There are few white Americans even in the South who do not declare themselves in favor of much more equality for the Negro in politics, education, and everything else--but they want them far in the future when certain conditions are changed.³²

But, Myrdal says, there are also times when the difference between personal and political opinion is as inescapable as it is irrational--for example, it is possible to prove statistically that some groups who publicly condemn birth control as immoral and who back legislative measures to prohibit it, must practice it privately.³³

Contributing further to the conflicts and contradictions within ourselves is the phenomenon of conscious ignorance, or the opportunistic avoidance of facts which, if faced, would reveal certain beliefs to be irrational.

As examples of how opportune ignorance and knowledge may be, it might be pointed out that Negroes are amazingly sophisticated with respect to the incidence of indirect taxation and the environment influences on intelligence test scores. Even ordinary Negroes with little formal schooling can explain to the satisfaction of the economist

³² Ibid, pp. 1140-1141.

³³ Ibid.

just how taxes on real estate are passed on to the tenant, and can often do better than the trained psychologist in revealing just how lack of incentive and intellectual stimulation can keep intelligence tests from revealing "innate ability" . . . It is apparent, too, that whites, especially the dominant ones, the ones who pay direct taxes and who have, or think they have, high I.Q. scores--have an opportune ignorance with respect to these things. Even when simple facts are presented to ruffle their ignorance, they reject them.³⁴

Arising out of Myrdal's psychological observations on people's beliefs and valuations are some suggestions relating to research in opinions. Many opinion polls are of limited usefulness, he says, because questions concerning beliefs, concerning almost pure valuations, and concerning opinions in which beliefs and valuations are mixed, are mingled together. Though the formulation of questionnaires and the weighting of the value of responses would involve other problems, Myrdal is convinced that it could be achieved, at least to the point where opinion surveys were more meaningful. The approach he suggests is to pose questions which have been purged as far as possible of all explicit valuations; the answers provided by respondents would then give some indication of their concept of reality, or at least of some aspect of reality.

The hypothesis is that we almost never face a random lack of knowledge. Ignorance, like knowledge, is purposefully directed. An emotional load of valuation conflicts presses for rationalization, creating blindness at some spots, stimulating an urge for knowledge

³⁴ Ibid, p. 1139n.

at others, and, in general, causing conceptions of reality to deviate from truth in determined directions.³⁵

A second suggestion is equally interesting: a "sociology and psychology of social science and scientists".³⁶ Myrdal contends that the objects of social science research have included virtually every group in society--except the researchers themselves.

We have studies on businessmen, their wives, farmers, blue- and white-collar workers, civil servants, congressmen, local political bosses, criminals, prostitutes, and all sorts of groups placed in their various geographical and social surroundings. Only about the peculiar behavior of our own profession do we choose to remain naive . . . In our search for truth, and in the direction of our research interests, the particular approach we are choosing, the explanatory models and theories we are constructing and the concepts we use, and, consequently, the course we follow in making observations and drawing inferences, we are influenced by individual personality traits and, besides that, by the mighty tradition in our disciplines and by the play of interests and prejudices in the society in which we live and work. The evolution of our sciences cannot be seen as autonomous, but it is continually influenced by the inner and external forces I hinted at.³⁷

Here, Myrdal says, is a classic example of opportunistic ignorance, for the analysis does not lack empirical data: "The corpus delecti, our writings, is on the table."³⁸ The reluctance to examine the writings of

³⁵ Objectivity in Social Research, p. 29. The ideas on opinion research derive initially from An American Dilemma, Appendix 10, pp. 1136-1143.

³⁶ Against the Stream, pp. 52-64. Myrdal also discusses this concept in Asian Drama, pp. 5-8.

³⁷ Against the Stream, p. 53.

³⁸ Ibid., p. 54.

social scientists from the point of view of seeking the source of distorted results is a taboo.

The force of this irrational taboo is demonstrated, for instance, in the fact that economists, even when they review my works, do not so much as mention the accusations I have persistently made against bias in the literature. Still less do they attempt to refute these charges.³⁹

In summary, Myrdal insists that many of the determinants of the type of study different researchers conduct are conditioned by personal idiosyncracies, traditional orthodoxies within the disciplines, and institutional or intellectual vested interests. This is true, he says, regardless of whether the resulting works reinforce the current orthodoxy or react against it. Finally, Myrdal believes that it is the responsibility of the researcher to become aware of these human and institutional shortcomings in research and to attempt to reduce them as much as possible in his own research efforts.

5. The Moral Imperative

The foregoing discussion of the various elements comprising Myrdal's method have all emphasized his longstanding conviction that a disinterested approach to research is not a logical possibility. Instead, he argues, the researcher must control the normative tendencies that inevitably surface by stating a set of derived valuation explicitly, and

³⁹ Ibid.

evaluating the facts in the light of these valuations. The valuations must be chosen from the criteria of relevance and realism.

This approach leads logically to the inclusion in the study of policy recommendations. Myrdal's research, therefore, is invariably action-oriented: the empirical evidence which provides the relevant factual information is combined with the stated valuations adopted in the study, and a set of policy recommendations emerges.

But, in addition, Myrdal's work contains an undercurrent of moral persuasion not emphasized in the writings but which surfaces as a moral imperative at the culmination of the argument. The choice of action or inaction following from policy recommendations is a human one; when problems are isolated and remedial action advocated, failure to respond can logically be inferred as dereliction of moral duty, provided one believes the valuations have been assessed accurately.

The most obvious example of the moral imperative in action follows from the argument developed in An American Dilemma. The American Creed is put forward as the set of valuations adopted in American society; the plight of the Negro in American society and the ramifications of this situation is the problem. The key to action--and the opportunity--are seen to be in the institutional adjustments brought about by the actions of people. "The rationalism and moralism which is the driving force behind social study, whether we admit it or not, is the faith that

institutions can be improved and strengthened and that people are good enough to live a happier life".⁴⁰

The growing gap between rich nations and poor nations depicted in An International Economy is perceived to be the result of the many disintegrating and therefore negative factors in a world where integration is seen as desirable. The industrialized nations are in the best position to initiate policies that will improve the situation; the poor countries, in contrast, must await the pleasure of the rich. Therefore the moral responsibility for an improved world is laid squarely at the feet of the wealthy.⁴¹

Myrdal emphasizes in Asian Drama that policy measures to improve economic performance and social well-being in South Asia are not to succeed at the expense of the well-being of individuals. "We have . . . accepted the value premise that everything within practical limits should be done to improve health conditions and prevent premature death, independent of the consequences for fertility and mortality. This latter value premise is not derived; it stands as a moral imperative".⁴²

⁴⁰ An American Dilemma, p. 1024. In a recent article, "Mass Passivity in America", The Centre Magazine 7 (March/April, 1974): 72-75, Myrdal says there is evidence that the missing ingredient in America necessary to encourage development of the welfare state, and to provide better institutions, is sufficient participation of the American people in the democratic process.

⁴¹ An International Economy, pp. 320-322

⁴² Asian Drama, vol. i, p. 69. See also Ch. 28, sec. 9, pp. 1496-1498.

Nevertheless, Myrdal is careful to point out that not even the most apparently self-evident of the value premises, no matter how strongly held by the researcher or firmly rooted in history, should be considered universal in nature.

The moral principle of respect for human life, commonly recognized as supreme, clearly has little significance as a valuation that is operative in the formation of national policies. Furthermore, actual world development does not tend to strengthen people's support for this moral principle. Naturally, this does not imply that this should not qualify as the value premise for research on war and peace. But research efforts must then be directed upon observing and analyzing popular valuations, valuation conflicts, and distorted beliefs responsible for this unfortunate development. When it comes to scientific research--theoretical or practical--a person who, for instance, as a part of his religious faith, believes in absolute moral principles is not in a situation different from those of other researchers.⁴³

C. Concluding Comments

Some of the foregoing arguments were developed by Myrdal; most, however, could be seen to have their antecedents elsewhere. Myrdal has acknowledged many of his intellectual debts, and others such as Freud and Malthus have been discussed above.

But the most important contribution from Myrdal to economics is his ability to integrate the various aspects of psychology, idealism, sociology, and moral theory, into the direct application of economic theory. By

⁴³ Objectivity in Social Research, pp. 81-82.

doing this, Myrdal has bridged an important gap between research and ethics and applied social science.

Myrdal's method is particularly valuable in fields where data are scarce, or where existing theory is of limited value, either because of special conditions or the danger of misapplying theoretical models. It also demonstrates the usefulness of an institutional approach in broadly-based research projects because it facilitates the use of explicit value premises. This enables the researcher to cut through the entire fabric of a society and to arrive at a rational set of policy recommendations. Moreover, Myrdal shows no hesitation in delineating areas where policy recommendations relate to ethical values. Indeed, he makes a point of drawing a connection between the two where this is possible.

CHAPTER III

THE FORMATIVE YEARS

This chapter and the following two constitute a discussion of Myrdal's major books and articles and the way in which each contributes to the evolution of his concept of economics. Such a discussion is particularly useful because Myrdal's intellectual life is itself so clearly a cumulative process. In this process, Myrdal changed his approach from the use of conventional economic frameworks to one which emphasized institutional analysis and complex issues in economic development. He made the change at a time when the academic world was generally acclaiming the growing sophistication and success of theoretical abstractions to explain reality and to provide solutions to pressing economic problems.¹ Throughout his writings runs the pervasive theme that method is an indispensable factor of overriding importance in developing a true understanding of reality.

The present chapter focuses on the writings Myrdal produced during his formative years when he was grappling with apparently

¹ See "Crises and Cycles in the Development of Economics", Ch. 1 of Against the Stream, pp. 1-16. This was adapted from an address to the American Economics Association published in the American Economic Review, Papers and Proceedings, Vol. 62, No. 2, May, 1972, pp. 456-462.

irreconcilable problems of objectivity and sound theoretical thinking. It took nearly a decade before he accepted in spirit the conclusions logic had led him to by 1933.

An American Dilemma, published in 1944, was Myrdal's first wholehearted application of "subjective objectivity". From that work onward, all of his writings were based on the premise that policy discussions were necessarily to be framed within an explicitly-stated system of values and related to realistic institutional conditions. This and his subsequent works are the subjects of Chapters IV and V.

A. Anticipations and Price Changes

Myrdal's doctoral dissertation, "Price Formation and Changeability", is an analysis of the dynamic factors instrumental in the process of price changes, particularly the role of anticipations.² The accolades that accrued to Myrdal on publication of the thesis were directed primarily at his introduction of the concept of ex ante-ex post in the analysis. Method was, therefore, a dominant and visible facet

² Because this work has not been translated out of Swedish, its contents are not directly available to the writer. Most of the discussion that follows is extrapolated from Brinley Thomas, Monetary Policy and Prices: A Study of the Swedish Experience, George Routledge & Sons Limited, London, 1936, especially Ch. 3, "Swedish Monetary Theory Since Wickseil", pp. 62-108.

of his work even at the beginning, as was the dynamic process.

Myrdal defines "static" economic theory as theory based on the assumptions of no future change in conditions; "quasi-static" theory features changes which are accurately foreseen and integrated into the model. But, Myrdal believes, the real world is best reflected in "dynamic" theory: future changes are neither perfectly foreseen nor a complete surprise. "A theory of prices, into which the factor of anticipations has been worked, is the most that analytical economics can do in interpreting a dynamic world", he says.³ Thus, although Myrdal's ex ante-ex post analysis is comparative statics in the sense that it is based on a comparison of points in time in successive time periods, it is dynamic in as much as it attempts to explain the continuous process of change over time.

Myrdal perceived that a dominant element in the matrix of businessmen's uncertainty is the factor immobility that occurs once resources are committed to capital investment. The producer must estimate in the face of uncertain costs, future receipts and interest rates, how much capital he should invest, the durability he desires in that capital, and the proportion of fixed investment he wishes relative to variable costs.⁴

³Ibid, p. 74.

⁴Ibid, p. 69.

But there are other elements of uncertainty. Business decisions are an amalgam of the entrepreneur's estimate of objective probability, the degree of faith he has in his own judgement, and his gambling preferences. These comprise the elements of the ex ante position. To obtain the present value of capital--the ex ante estimate--the anticipated difference between receipts and costs, corrected for an estimate of the degree of risk, is capitalized by the expected future rate of interest.

At the end of the time period, the entrepreneur will have a revised set of expectations for the potential productivity of his investment. Myrdal defines "profit" and "loss" as the difference between the capital value of the investment at the end of the time period--that is, between the ex post estimate and the ex ante forecast. If expectations are lower, the investor has incurred a loss; if higher, a profit. Profits and losses, then, are seen as adjustments in capital value. The ex post value is therefore an important, often primary, element in estimating the ex ante value for the next time period.⁵

"Price Formation and Changeability" was greatly influenced by Myrdal's friend and doctoral advisor Gustav Cassel. It reflected the issues which concerned the members of the Swedish School in the 1920's,

⁵Ibid, p. 72. Thomas does not make clear whether the ex post of one time period is identical with the ex ante of the next.

specifically the problems of value and dynamics within the context of pure economic theory. It demonstrated Myrdal's ability to approach problems imaginatively, a talent exemplified by the introduction of the ex ante-ex post approach and the injection of the psychological elements of entrepreneurship into the risk matrix.

B. Anticipations and the Value of Capital

Monetary Equilibrium is a companion work to "Price Formation and Changeability".⁶ It analyzes the same family of variables, uses the same ex ante-ex post framework and the same purely theoretical approach, and is clearly of the same genus as many other contemporary works emanating from the Swedish School. But there were also some portents of the unique style and approach Myrdal was to adopt as he reached his intellectual prime.

The Swedish School had since the turn of the century concerned itself with the interrelationships of price levels, interest rates, productivity rates, capital values and the search for a dynamic framework within which to express these relationships. Both the doctoral work and the monetary equilibrium study provide evidence of Myrdal's propensity and flair for developing conceptual innovations even though both essays

⁶Unlike its precursor, Monetary Equilibrium was translated into English. The English-language version is a descendent of "Om Penningteoretisk Jamvikt", which appeared in Ekonomisk Tidskrift in 1931.

are essentially extensions of an ongoing debate among scholars of the Swedish School.

Throughout Monetary Equilibrium there appear in embryo form many of the traits and idiosyncracies characteristic of the later writings. Although the argument is confined to pure economic theory, Myrdal reveals his universalist leanings when he raises the discussion of prices to an aggregate level, introducing an important link between micro- and macroeconomic theory.⁷ Though the theme was monetary equilibrium, Myrdal shows that in his early writings as later, he was aware of a tendency toward disequilibrium, and of the practical difficulties encountered in the maintenance of equilibrium in a dynamic world.⁸ The analysis of the interrelationships among variables in a different context from that of "Price Formation and Changeability" is an early application of the idea, more explicitly developed later, that elements of reality interact as a two-way process, and that their relative importance depends on how they are perceived--as means, ends, or side effects.

⁷ Monetary Equilibrium, pp. 19-21.

⁸ "The monetary equilibrium has the nature of being labile instead of stable as in the general price theory--to continue on the analogies of theoretical physics from which the very notion of equilibrium is also borrowed--and the monetary equilibrium position is, therefore, not a tendency at all but just the contrary." Monetary Equilibrium, p. 36.

The primary methodological innovation in Monetary Equilibrium is the introduction of the immanent criticism.⁹ Using this approach, Myrdal accepts the core of Wicksell's theory of the cumulative process but makes several important changes in it to support his own position.

Although the method of immanent criticism reveals certain disadvantages when compared with a direct attack on the problems of monetary theory, its use is justified here because it makes possible the presentation of Wicksell's theory in modern dress. Another, perhaps equally important, advantage of the method is that it facilitates the examination of certain crucial assumptions which, though the basis of the whole structure of monetary theory, are frequently neglected.¹⁰

Wicksell believed that to achieve monetary equilibrium three preconditions must be met. The first is that the "money" rate of interest must be equal to the "natural" rate of interest, the latter being defined as the marginal technical productivity of capital. The second is that savings must be equal to investment, and the third, that the level of prices, and especially the prices of consumption goods, remain stable.

⁹ Ibid, p. 31. It is relevant that Myrdal, while adopting Wicksell's framework, was aware that other methods of exposition could have been used. In a footnote he says, "I am ready to accept the possibility, perhaps the desirability, of another structure of monetary theory, free from this cumbersome equilibrium assumption. No one can be more catholic as to methods than the present author."

¹⁰ Ibid, p. v.

Wicksell assumed that monetary equilibrium exists in the initial time period, but that conditions change. The fall from grace that initiates the cumulative process takes place because of a decline in the money rate of interest relative to the natural rate. The result: existing real capital appreciates in value and the discount rate declines. Entrepreneurs' expectations for profits increase and more resources are committed for capital goods. Prices of capital goods rise, resulting in a further rise in the natural interest rate. The divergence of natural interest rates from money rates continues until banking institutions change credit conditions. This reverses the process, ushering in a new phase of the Wicksellian business cycle.¹¹

The first point Myrdal criticizes is Wicksell's assumption of monetary equilibrium as the system's initial position.

In a generally "stationary" economy Wicksell's three monetary equilibrium conditions are naturally easy to define and, besides, are all fulfilled ex hypothesi... Wicksell's theory, however, as already noted, is an attempt to analyse a dynamic process and it therefore necessarily contains the idea that it is possible to test whether monetary equilibrium is ruling at any moment of such a process, which process, of course, is not, and cannot be, stationary.¹²

¹¹ The system is symmetrical, so that the discussion could begin with an initial increase in the relative position of the money rate of interest, initiating a downturn in economic activity. A more complete description of Wicksell's system is in Ch. 3 of Monetary Equilibrium, pp. 29-48 and in Uhr, Ch. 10, especially pp. 233-246.

¹² Monetary Equilibrium, p. 39. In a footnote on p. 34, Myrdal cites Lindahl's proof that an initial stationary state is not a realistic assumption.

Such an assumption, says Myrdal, evades, though perhaps unconsciously, many theoretical problems without solving them.

Myrdal concludes in his discussion that Wicksell's first equilibrium condition--that money rates must equal natural interest rates--depends on the second, that savings be equal to investment. But to arrive at this position, Myrdal must change Wicksell's concept of the natural interest rate. Wicksell had defined it as the "productivity of the roundabout process of production";¹³ Myrdal insists that, to be useful, the term must be redefined to mean exchange value productivity.¹⁴ Then he is able to say, "The profit margin which corresponds to monetary equilibrium is, therefore, the complex of profit margins in different firms which stimulates just the amount of total investment which can be taken care of by the available capital disposal".¹⁵

Myrdal contends also that Wicksell's third condition--that the general price level remain constant--is inappropriate. He argues that consumer prices are inextricably bound up with prices of capital goods, because in some cases the goods are identical and in others, the rising

¹³ Ibid., p. 49

¹⁴ Ibid., p. 51

¹⁵ Ibid., pp. 82-83.

wages will drive up prices in response to increasing consumer demand.

This whole complex of changes will, it has been argued by Davidson, inevitably reflect on the money rate of interest and thus disturb the monetary equilibrium.¹⁶ Here, as later, Myrdal shows that he is aware of complex interrelationships among the factors determining the direction of the cumulative process, and contends that in the absence of some "natural law" the momentum is away from equilibrium.

Myrdal argues that the central problem in WickSELL's third condition is that some prices are more flexible than others, and that still others are "sticky". Prices determined by long-term contract and those of monopolies are examples of "sticky" prices, but even custom and tradition may slow price movements. Labour unions, which play an important part in determining the price of labor, are also seen as a cause of "sticky" prices, particularly on the downside.¹⁷ Interest rates themselves, for similar reasons, evince varying degrees of "stickiness".¹⁸ Further complications are introduced when the

¹⁶ Ibid, p. 130. It was mainly around this point that the celebrated WickSELL-Davidson controversy revolved. It was carried on from around the turn of the century almost until WickSELL's death in 1926, mostly in articles appearing in Ekonomist Tidskrift.

¹⁷ Ibid, p. 158.

¹⁸ Ibid, pp. 161-164.

implicit assumption of a closed economy is dropped and the vagaries of world prices and interest rates are superimposed on domestic conditions.¹⁹

All of these conditions have effects on anticipations of producers and consumers which are difficult or impossible to estimate accurately, though the direction of the influence of each effect may be determined. This type of analysis, clear but imprecise because of the complexity of the determining factors and the difficulties encountered in attempting precise measurements, is characteristic of Myrdal's later writings. It is of the same ilk as circular causation theory and the development of the concepts of "backwash" and "spread" effects. All the relevant elements are included, but at the expense of precision because precise restriction of analysis to precise estimates is unrealistic and therefore unwarranted. It remains to note that, at the end of the purely theoretical analysis, Myrdal felt impelled to add a commentary on the policy implications and the value premises to be adopted in applying the theory. Though in his later writings Myrdal did not isolate this commentary at the end of his exposition, it is germane that such considerations were even given a place in the work. Though he had developed his ideas in what he believed to be a positive context, he felt drawn to explore normative elements.

¹⁹ Ibid., pp. 168-176.

However, one must note here that from various standpoints it may be questioned--and, as is well known, it actually is questioned--whether and to what degree there is really a general, undisputed advantage in eliminating business cycles. I will not pause here over this point, but for the sake of argument I will postulate that the elimination of the cycle is really in the general interest...In what follows we shall proceed upon the value premise that cyclical movements should be made less severe and the factual premise that this requires primarily the maintenance of the conditions of monetary equilibrium.²⁰

This statement of bias enables him to develop his subsequent argument logically without resort to implicit value premises. But he goes further:

It is in principle impossible to keep the consideration of monetary policy on an objective and technical plane, as long as one postulates solely a general norm, like the elimination of the business cycle. For this norm can be reached by several routes, in which all sorts of social and economic problems are given different solutions, and in which the credit screw must be applied more or less severely.²¹

The means-ends problem was surfacing, though it had not yet been articulated.

Myrdal in fact was one of the first to point out the political implications of monetary policy.

This equilibrium movement...can, however, be of political interest; the increasing capital values have, among other things, direct effects on the distribution of wealth. The standard monetary policy must, therefore, in some way or other be supplemented or changed in order to satisfy other political interests than those of the capitalist entrepreneurs.²²

²⁰ Ibid, p. 180-181

²¹ Ibid, p. 184

²² Ibid, p. 189

This statement was made in the context of warning about the dangers of a "mechanistic approach to the business cycle".²³

Though he was writing about monetary policy with a concerted awareness of the roles of institutional and psychological factors, there can be no doubt that at the time he wrote Monetary Equilibrium, Myrdal was firmly in the fold of the Swedish School. In the preface to the English edition, he writes, "When I wrote the original essay, I looked upon it as a preliminary draft of the introduction to a positive treatise on economic dynamics which I hoped to write".²⁴ Despite the innovations Myrdal injected into the discussions, the book must be seen as pure theory in the tradition of positive economics, though there is evidence that the writing of it contributed to his move toward the characteristic nature of his later work.

C. An Iconoclastic Work

In 1928, Myrdal published an article²⁵ which aimed to illustrate

²³ See "Stagflation" in Against the Stream, pp. 17-32. Though he had not written at length on the subject for nearly four decades, Myrdal in 1973 touches on this topic again. Writing from the perspective of the inflation-ridden 1970's, Myrdal compares Wicksell's theory with that of Keynes, contending that the latter falls short because it fails to take into account the institutional and psychological factors at work to neutralize the purely economic effects of the policy applications of Keynesian theory.

²⁴ Monetary Equilibrium, p. v

²⁵ "Lantbrukets bristande rantabilitet" (The depressed position of

the inadequacy of then-prevalent economic theory to explain agrarian discontent in Sweden. In it he says expectations of landlords for revenue, fanned by certain implications of "liberal" theory, are higher than the economic situation warrants, one of the important factors being the expectations themselves.²⁶ Myrdal concludes here that economic theory does not take sufficient account of the psychological factors in economic life.

This line of thinking indicates Myrdal's growing dissatisfaction with existing economic theory as a plausible vehicle for the explanation of economic phenomena. That dissatisfaction culminated with the publication in 1930 of Vetenskap och politiki nationalekonomie.²⁷

Of special importance are the ideas generated in this work over the question of bias, ideas which later evolved into a thesis that "objective" economic theory is a logical impossibility, and that most knowledge or ignorance is opportunistic in nature rather than arbitrary.

agriculture), in Svensk Tidskrift, English abstract from Social Science Abstracts, vol. i, Abstract No. 1884.

²⁶ "Liberal" is used in the context of the economic principles that devolved from the Classical and Neo-Classical thinkers.

²⁷ The Political Element. This work was translated into English by Paul Streeten in 1954.

But the most visible aspect of the work is its iconoclasm--its critical discussion of the works of other writers without the balancing effect of a proposed alternative "objective" approach. As a result, Myrdal himself was obliged to remain dissatisfied with the book, to regard it as a diagnosis without a cure.²⁸

Myrdal states his personal ideals for scientific research on the opening page.

The task of economic science is to observe and describe empirical social reality and to analyse and explain causal relations between economic facts. Our scientific goal is to achieve a knowledge of the world in which we live, sufficiently adequate to enable us to forecast future events and thus to take precautions and fulfill our wishes rationally. To determine what our fears and wishes ought to be is, however, outside the realm of science... This does not imply, of course, that the results of economic research are of no importance for the formation of political opinions.²⁹

Though he later came to doubt, and finally to reject the concept of "objectivity" in social science, at the time he wrote The Political Element, Myrdal was convinced that objective knowledge in economic research was a singularly elusive but attainable goal. In the book he

²⁸ Myrdal's commentary on this work from the perspective of the 1950's appears in Value in Social Theory, pp. 252-255. Even at the time of publication, he indicates, he was not happy with the approach taken toward value, although he believed the critical analysis to be a useful contribution.

²⁹ The Political Element, p. 1.

demonstrates that all of the writings of economists, from the Physiocrats and Adam Smith to A. C. Pigou and the Public Finance economists, have fallen short of his objective ideal. And, like an amateur historian seeking his family tree, Myrdal attempts to trace the intellectual lineage of contemporary economic ideas back through the ages to the earliest economic writings.

Myrdal argues that much of the existing body of economic theory claims to be objective, but in fact reflects a set of implicit, even inadvertent assumptions that form the basis of a bias that is all the more powerful because it is unconscious. The roots of the problem are, Myrdal believes, in semantics and psychology.

Nearly all the general terms current in political economy, and in the social science generally, have two meanings: one in the sphere of "what is", and another in the sphere of "what ought to be"... The dual meaning of our terms is not accidental; it is the expression of the normative-teleological way of thinking, traditional in the social science and, indeed, programmatic in the philosophy of natural law upon which they were founded.³⁰

This is close to the position Myrdal takes later, in prognosticating that there are two divergent sets of valuations behind our actions, one approaching the ideal and the other the pragmatic norms. Among the terms with dual meanings are "principle", "equilibrium" and "balance".

³⁰ Ibid, pp. 19-20.

The process by which positive and normative connotations emerge is subtle.

The danger to the unsophisticated theorist, of sliding into normative habits without stating his value premises explicitly, is aggravated by the fact that the same thing is done habitually in popular reasoning. Without being aware of the logical process, he tends to bolster up the objectivity of the 'principle' (for example) in the sense of a norm, by its objectivity as an element of theory. The norm thus acquires an air of being founded upon the 'nature of things'. This precisely is the circular reasoning inherent in the philosophy of natural law.³¹

And, whereas the earliest among the writers discussed explicitly acknowledged their debt to the concept of natural law in formulating their "objective" theories, the utilitarians, starting with Bentham, disassociated themselves from the theory. Nevertheless, even for Bentham, Nature is invoked as the source of ethical behavior in so far as it is the source of our "two sovereign masters, pain and pleasure."³² The significance of this and other arguments Myrdal advances to demonstrate the relationship between natural law and utilitarian theory is that the premises of natural law, openly admitted by the Physiocrats, Smith and even Ricardo, were inadvertently bootlegged into the conceptual framework of the utilitarians and subsequently disavowed by them. But it remains. 'It is part of the thesis of this book that in economics...the direct contribution of utilitarianism

³¹ Ibid.

³² Ibid., pp. 24-25.

amounted to little more than a more elaborate formulation of the natural law doctrines".³³

The arguments underpinning the theories of laissez-faire are easily related to natural law since they are a direct outgrowth of it. But the arguments developed in the theory of public finance are, Myrdal says, a further generation removed from their natural law beginnings. Many of the writings under criticism here were contemporary with The Political Element, and to read Myrdal's commentary on this line of thought is to catch an iconoclast in full flight as he homes in on a theory he considers useless and even detrimental to the literature.

In no other field has the intrusion of metaphysics done so much harm as here. With a few exceptions ...almost the whole theory of public finance is an elaboration of certain guiding principles, such as "economy" or "equity". These speculations pervade even the theory of incidence and of fiscal legislation where they often obstruct the formulation of meaningful questions. This is particularly dangerous in view of the fact that the significant questions, which have been either obscured altogether or begged by pseudo-solutions, have become increasingly important during the last decades.³⁴

Myrdal traces the lineage of public finance theory back through the utilitarians to the initial postulates of natural law, but also locates stray phrases where authors of more recent works have lapsed directly into the frame of mind characterized by the early natural law proponents.³⁵

³³ Ibid, p. 27

³⁴ Ibid, pp. 156-157.

³⁵ See for example, p. 178 of The Political Element where he quotes

His conclusion: "The political conclusions of the theory of public finance are based on even more self-contradictory and on even looser premises than the conclusions in other fields".³⁶ The reasons for such a blunt dismissal of this body of literature are equally succinct: "In the first place, some idea of the shape of the marginal utility of income curve is, after all, necessary just because the rule must be modified for detrimental production effects... Moreover, the scope of public activity and hence the amount of total revenue required is left indeterminate".³⁷

Although the argument of The Political Element is incomplete in as much as its author did not conclude, to his satisfaction, what steps were necessary to achieve a positive science, his exposition of the major shortcomings of previous theory as he perceived them remained unaltered, and Myrdal referred to the book frequently in subsequent writings. The same basic arguments were applied, moreover, to refute the idea of laissez-faire trade policies as a means of at least overseeing, if not

³⁵ Lindahl, in a defence of public finance, stating, "The meaning of the demand for justice in taxation is that it should be regulated according to the moral rights of the citizens". But in fairness, it must be added that Myrdal himself suffered occasional lapses in the same direction. For example, in Asian Drama, vol. i, p. 69, he writes, "We have also accepted the value premise that everything within practical limits should be done to improve health conditions and prevent premature death, independent of the consequences for fertility and mortality. This latter value premise is not derived; it stands as a moral imperative".

³⁶ The Political Element, p. 157.

³⁷ Ibid, p. 175.

actively promoting, economic growth in underdeveloped regions, and for contradicting the static "stateways cannot change folkways" philosophy advanced by William Sumner and others like him who believed conditions in the American South could not or would not change.³⁸ It is also relevant that Myrdal saw fit to issue an English translation of the book 25 years after its publication without making substantive alterations. He said in the preface that major revisions would not have added much to the value of the book.

The breadth of the book's theme was not initially envisaged. Using a phrase characteristic of his writings, Myrdal later said

Books, however, have their peculiar fate even while they are being written. In the course of my work, I gradually lost interest in what I had set out to criticize, viz. the popular teaching of my older colleagues and, indeed, the controversies of the day in my home country. I became more and more deeply involved in the history of economic theory... Instead of the two months I had intended to give to it, I spent two years.³⁹

For Myrdal, it is characteristic that a limited study of Swedish economic problems should be expanded into a treatise in the history of economic philosophy.

³⁸ See in particular An International Economy and Economic Theory in Underdeveloped Regions.

³⁹ Value in Social Theory, pp. 252-253.

Hinted at but not developed in The Political Element is the concept central to An American Dilemma and other works, that of intellectual opportunism in formulating philosophy. The ideas of natural law developed by the Physiocrats and elaborated by Adam Smith were, in their day, radical doctrines. Taken to their logical conclusions, these ideas had startling implications for society. But by the time these ideas had percolated down to Ricardo and then to J. S. Mill, they had somehow been tamed, partly because of honest confusion over exchange value and real value. Ricardo concluded with the prospect of the stationary state, and Malthus with the apocalyptic implications of his population theory. But it is instructive that none of the British socialists of that day became noteworthy, and that most of the major economists from the middle of the 19th century onward concentrated mainly on the utility question or on marginalism and gravitated away from the problems of surplus value and other uncomfortable--and politically and even morally loaded--issues raised by the socialists and systematized by Marx.

Marx's theory of surplus value is not the result of a 'gross misunderstanding'. This opinion is widespread amongst its critics who fail to see the importance of real value theory in the classical theory. . . Marx was right in saying that his surplus value theory follows from the classical theory of real value, admittedly with additions from other sources. Moreover, Marx was not the first to draw radical conclusions from it. . . For the historian of thought the real puzzle is why the classics did not draw these radical conclusions.⁴⁰

Writing a decade later Myrdal would have pursued the point a step further and accused the classical economists explicitly of opportunism of ignorance.⁴¹

Myrdal finished The Political Element with a sense of frustration that he had not solved the method problem. But he had faced honestly the fact that his own position was wanting. The final chapter concerns itself with the best available compromise, in the absence of an objective method, for making the study of economics useful and relevant. In so doing, he arrives close to the position he eventually takes on the issue. The ideal remains as true "objective" economics, "this implicit belief in the existence of a body of scientific knowledge acquired independently of all valuations."⁴² The compromise was to bring the normative issues into the open if it proved impossible to eliminate them. "If economic science is to be normative", he said, "surely it ought not to be simply bad logic".⁴³

Myrdal stresses the importance of the institutional framework surrounding "economic" phenomena, and in so doing, comes close to taking the major step of directly embracing an institutional approach to economics.

⁴¹ Of course Marx in his turn was seen to be opportunistic in his deterministic theories, regarding as inevitable events which in fact never came about but which he perceived as following directly from a natural harmony. See Against the Stream, Ch. 16, pp. 308-316, "A Brief note on Marx and Marxism".

⁴² The Political Element, p. vii.

⁴³ Ibid, p. 191.

The justification for this heretofore heretical approach is the observation that, "In actual life, however, it is the institutional set-up over which political struggle is often fought. The scope for discovering the field of economic interests is greatly enlarged if we envisage the possibility of institutional change".⁴⁴ Though the emphasis on institutions was increased in later years, Myrdal evinced an awareness of their importance as early as 1929. To facilitate the discussion of economic activity within the framework of institutions, Myrdal prescribes the adoption of explicit and concrete value premises. Further, he specifies:

If this science of economic politics... is to have any practical significance, the chosen value premises must express the interests of all the strong social groups. This requires an analysis of the field of social interests. But the crucial problem is to discover those interests, while taking account of all the institutional changes which are feasible under political pressure.⁴⁵

The significance here is not so much the content of this characteristic statement as the timing, since this statement became part of Myrdal's philosophical foundations.

Following publication of The Political Element, Myrdal was close to his ultimate position as a normative economist, but he had not quite arrived. Not until 1933 did he state unequivocally that the only way to

⁴⁴Ibid, p. 196. See pp. 295-299 for a fuller elaboration on this.

⁴⁵Ibid, p. 199.

achieve any measure of objectivity in the social sciences is to adopt explicit, realistic value premises appropriate to the purpose of the research project at hand and the interests of the primary social interest groups within society, and to conduct the investigation from that perspective. In his "Ends and Means" article of that year, Myrdal argues that the entire question of ends, means, and side effects is so interrelated and so intrinsically value-laden that it is useless and misleading to attempt to conduct research without acknowledging the value perspective from which one is working.

This, indeed, is the crux of all science: We can never get away from the a priori. The large, unordered, mass of crude facts does not fall into order by itself. Without a principle of organization scientific observation is impossible. Naive empiricists, particularly common amongst American institutionalists, attempt the impossible: to gaze at reality without preconceptions, hoping that things will fall into place, and thus give rise to scientific laws. But they are, of course, the victims of an illusion to which they give the semblance of objectivity by carefully concealing from themselves their a priori ideas. Without such ideas they could not have reached any conclusions.⁴⁶

Once he made this statement, Myrdal had succeeded in defining his personal scientific dilemma so omnipresent while he was writing The Political Element. He spent the next few years responding to this insight, becoming accustomed to it, and rounding it out. But the fundamental methodological

⁴⁶ Value in Social Theory, Ch. 10, p. 228. The article first appeared in Zeitschrift für Nationalökonomie, vol. 4, 1933. The article in Value in Social Theory is a partial translation, and is on pp. 206-236.

idea contained therein, often repeated, streamlined and embellished with illustrations, was never really developed further. The methodology that grew out of this insight formed the basis for all Myrdal's subsequent research.

D. The 1930's

In addition to writing the two theoretical works and the philosophical-methodological contributions discussed in the foregoing sections, Myrdal engaged in much empirical work during his early years. This work took on far greater importance after the onset of the Depression in the 1930's. The reasons for this were the increased urgency from a national standpoint for practical results from economic theory, and the young Myrdal's temporary disillusionment with formal method after he had been unable to solve his personal dilemma vis-a-vis methodology in The Political Element.

In 1929 Myrdal undertook a project that provided him with a thorough acquaintance with 19th century Swedish economic history, a period he often referred to in later works. In The Cost of Living and National Income in Sweden 1830-1930, Myrdal was careful to cite the practical limitations of his research.⁴⁷ The main problems he encountered were the data limitations

⁴⁷ Translated into English in 1933 by P. S. King & Son Ltd., London. Myrdal received assistance on this work from Sven Bouvin. It was part of a larger project, Wages, Cost of Living and National Income in Sweden 1860-1930.

and the variety of sources, the state of communications in 19th century Sweden, geographical disparities in the country, and theoretical difficulties stemming from the index number problem. Of the latter, Myrdal says:

The scientific problem of which such an index is the solution is not sufficiently clearly or unequivocally defined. Price and budget material should be combined in index-numbers in different ways according to the special problem which presents itself in each special economic analysis. The compilation of a cost of living index should, ideally, be regarded as an integral part of the calculations of real income, and be adapted to each special case.⁴⁸

And so, possibly without realizing why, Myrdal steered clear of the attempt to formulate some compromise arrangement of this ideal. A decade later, writing in An American Dilemma, Myrdal was to conclude that the index number is for practical purposes, not solvable:

When one is out to determine such a simple thing as the level of "real wages" in a community, for example, one has to rack one's soul to decide whether to base one's calculations on hourly rates or on annual wages: whether to consider articles outside of the staple commodities as necessities of consumption, whether to consider certain items, the consumption of which is not "customary", as necessities because dieticians think so, and generally speaking, how to decide the weights in the consumption budgets used for constructing a cost of living index. In a world of change and variation there can be no such thing as an "ideal index"; in the final analysis, the weights have always to be chosen upon the basis of what one's interest in a study is.⁴⁹

Not all of Myrdal's work during this period was negativistic. In a 1933 article, "Industrialization and Population", Myrdal uses empirical data

⁴⁸ The Cost of Living, p. 115.

⁴⁹ An American Dilemma, Appendix 2, p. 1058.

from Sweden's past to support Cassel's theory that rural-to-urban population cycles occur in a way that mitigates the effects on wages of upswings in the business cycle. The migratory patterns which were shown to peak with business activity effectively dampen the effects of a business boom on wages, he shows.⁵⁰

The writing Myrdal did in the early 1930's was not only more policy-oriented than any of his earlier work, it was also more broadly-based. Some of it related directly to the theoretical writings on monetary policy that centred around the ideas developed in Monetary Equilibrium, but more of it gravitated toward population policy and generally toward the inclusion of Swedish institutions within the economic system.

The initial population study was Kris i befolkningsfragan (Crisis in the Population Problem), the study Gunnar and Alva Myrdal completed together for the Swedish Population Commission in 1934. Though it has not been translated directly into English, its contents have formed the basis of further works that have. These include Myrdal's monograph Population: A Problem for Democracy, published in 1938, and Alva Myrdal's 1941 book Nation and Family. The nature of the collaboration in the 1934 work is spelled out in the preface of Nation and Family:

⁵⁰ The article appears in Economic Essays in Honor of Gustav Cassel, London: George Allen & Unwin Ltd., pp. 435-457. The data used was from 1895-1930, and the theory Myrdal was testing was from Cassel's Theory of Social Economy.

This book is written anew for the public in English-speaking countries. It is, however, at the same time to be considered as a substitute for an English version of Kris i befolkningsfragan, Stockholm, 1934, by the present author in collaboration with Dr. Gunnar Myrdal... In preparing the earlier book, the latter author assumed responsibility for the demographic and economic aspects and the present writer for the treatment of social policy.⁵¹

Other influences on Myrdal's population policy writings were Wicksell and his Malthusian musings, and the normative conclusions of The Political Element.

The gist of the argument in the population writings is that Sweden and the other industrial countries are experiencing a demographic trend which, if continued, will result in a decline in population.⁵² The effects of this in terms of both supply of labor and aggregate demand in the economy could be drastic. Therefore, it is in the interest of governments to adopt policies conducive to the encouragement of larger families. This

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Nation and Family, (New York: Harper & Brothers), 1941, p. vii. There appears to be one further book-length contribution from Myrdal on the population question, the untranslated Befolkningsproblemet i Sverige (The Population Problem in Sweden), published in Stockholm in 1935.

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Though little attention has been paid to this theme until recently because of the spotlight on the world population explosion in the underdeveloped countries, there is no evidence that the argument is in the long run less relevant for the industrialized world in the 1970's than it was in the 1930's; indeed, it may be more so. There is a distinct possibility that the arguments developed by Myrdal along this line may re-surface as the population of the wealthy countries continues to constitute a shrinking minority of total world population.

could entail sizable government transfers, since additional children are financial liabilities in urban societies. Moreover, such transfers would improve income distribution because, as Swedish statistics indicate, those families with the lowest incomes tend to have the largest families and to live in the most crowded conditions. Assumed in the discussion is the idea that immigration is not an acceptable or a feasible means of increasing population.

As a measure of Myrdal's intellectual development, Population: A Problem for Democracy is interesting for three reasons: it is subjective, it deals in depth with the family as an institution rather than simply as an economic unit, and it is policy-oriented. For the first time in a publication available in English, Myrdal formally and explicitly presents his value premises early in the discussion: "My major political premise is the principle of democracy".⁵³ Myrdal saw a serious conflict between the kind of changes in population breeding habits he was advocating and the freedom of individual families to decide upon the kind of family preferred. Moreover, writing in the shadow of the Second World War, he perceived democracy as a beleaguered philosophy fighting for its existence. Because of the importance of the democratic premise in the social environment, Myrdal was

⁵³ Population: A Problem for Democracy, p. 32.

led to select education and financial inducements, as opposed to coercion or even regulation, as the proper means by which to encourage the population to adopt the desired decisions about family size.

The assumptions for the monograph, also clearly stated, are that domestic policy only is being considered, that no serious racial problems exist in the society, and that it is democratic and a part of "contemporary industrialized western civilization".⁵⁴

In his discussion of individual families in society, Myrdal recognizes that there is a wide variety of motives present in deciding upon family size. He recognizes, for example, the added financial burden each additional child places on the family. What is good economic sense for the microeconomic unit, the family, is bad for the aggregate. Moreover, a high proportion of newborn children are not desired by their parents, he notes. Finally, children in the family reduce the scope of activities available to the mother and are an especial burden to mothers who are unwed, divorced or widowed.

The result is that these institutional observations are taken into account in the formulation of policy recommendations, many of which were implemented and are visible today in the Swedish welfare state. A growing population is too idealistic to be a feasible goal, so Myrdal sets the goal

⁵⁴Ibid , pp. 40-41.

at zero growth. Moreover, to eliminate the burden on society of unwanted children, he advocates a program of birth control education. The transfer payments are seen as a logical vehicle to promote higher average birth rates within families, to reduce the financial burden on the largest families--that is, those making the greatest population contribution--and to free mothers to pursue other activities in society, seeking personal fulfillment and, in the process, alleviating the labor shortage.

Though basically a recapitulation of an earlier study, the layout and presentation indicate that Myrdal has developed a methodology which is flexible, practical and straightforward. The earlier works all developed hints of the method that was to come. But the actual synthesis of all the elements did not occur until the end of the 1930's, when Myrdal's work reached a significant stage in its development.

CHAPTER IV

A DEFINITIVE PHASE

By 1940 there were signs that Myrdal's work was developing its definitive characteristics. This is clearly evident in An American Dilemma; from this work onward his writing contains all the elements described in Chapter II. This is not to say that his methodological innovations ceased or that he failed to gain new insights or present fresh interpretations based on further experience; rather, Myrdal had developed in broad outline the style, approach, epistemological and theoretical basis that was subsequently to characterize his work.

The advent of this period did not signal his abandonment of the teachings of the Swedish school, but it became clear that the scope of Myrdal's work had outgrown the "economic", Swedish framework within which he had spent his formative years. Just as the debates of the Swedes in the 1920's had proven too narrow a purview for his writings on philosophy, so the Swedish environment could only provide a test laboratory for the application of his economic theory and social policy. Only by expanding dramatically the scope of the concept of "economics" could Myrdal remain safely within the parameters of the profession.

The first section of this chapter is devoted to illustrating the main features of Myrdal's writings as typified in An American Dilemma.

Section B provides a brief description of his writings between 1945 and 1956, a comparatively arid period in terms of volume of works published, but one that proved to be singularly rich in terms of insights and experience.

The features of Myrdal's works highlighted in Section A and the observations discussed in Section B all were to have a profound influence on the writings that appeared from 1956 onward, as Myrdal's horizons expanded to the international level.

A. An American Dilemma

The vast study Myrdal and his research staff pieced together between 1938 and 1942 provides the first full-scale application of Myrdal's approach and theories. Forty years old and with a growing reputation as a result of his scholarly work in pure research and social policy, Myrdal was becoming a leader in social science research. The study's terms of reference were, as outlined by a trustee of the sponsoring organization, the Carnegie Corporation, to direct "a comprehensive study of the Negro in the United States, to be undertaken in a wholly objective and dispassionate way as a social phenomenon".¹ As a foreigner, Myrdal was better equipped than an American to be "dispassionate"; as for "objectivity", he had demonstrated

¹An American Dilemma, revised edition, li.

in his writings his concern for this aspect of the problem. Faced with problems stemming from the volume of material to be surveyed by him and his staff, the breadth of the investigation, time limitations and interruptions as a result of the outbreak of the Second World War, Myrdal found completion of the 1,500-page final report to be one of the most challenging projects of his career.

The study's focal point is the moral dilemma facing Americans over the question of race, as illustrated by the economic and social inequalities between white citizens and black. The individual is the real centre of conflict, but the institutional framework is the basis of action and potentially the vehicle for accelerating progress and so, his approach is institutional. Myrdal examines the historical reasons for racial discrimination, then the economic, political, legal and social aspects of the problem. The explicitly-stated valuations adopted for the study are the democratic ideals embodied in the American Creed.² The method is to observe and to analyze the interrelationships between the American people, their ideals, their goals, their actions, and their institutions. The dynamic conceptual framework Myrdal adopts in the study is that of circular causation or, as originally phrased, of "the principle of cumulation". Each of these facets of Myrdal's method had been developed--or at least broached--at some earlier stage of

²See Appendix 1 for a statement of the American Creed.

his career, but it is in this study that they are first brought together and applied as a unified approach to social science research.

All of the elements are intimately interrelated, linked by the epistemological tenets of Myrdal's conviction that all aspects of a problem interact mutually.³ Permeating the entire book is the power of the moral imperative as it impinges on every facet of life in the United States.

The Negro problem is an integral part of, or a special phase of, the whole complex of problems in the larger American civilization. It cannot be treated in isolation. There is no single side of the Negro problem--whether it be the Negro's political status, the education he gets, his place in the labor market, his cultural and personality traits, or anything else--which is not predominantly determined by its total American setting.⁴

In addition to expanding this pervasive moral dilemma to the macrocosm, American society in its entirety, Myrdal reduces it to the microcosm, the individual.

The American Negro problem is a problem in the heart of the American. It is there that the interracial tension has its focus. It is there that the decisive struggle goes on. That is the central viewpoint of this treatise.⁵

The conflict is bound inextricably to individuals and to institutions, but the

³For an elaboration of this theory, the reader is referred back to Myrdal's article, "Ends and Means in Political Economy", in Value in Social Theory, pp. 206-230.

⁴An American Dilemma, p. lxxvii.

⁵Ibid, p. lxxi.

core of the problem is the dual nature of people's values.

The "American Dilemma" referred to in the title of this book, is on the one hand, the valuations preserved on the general plane which we shall call the "American Creed", where the American thinks, talks, and acts under the influence of high national and Christian precepts, and, on the other hand, the valuations on specific planes of individual and group living, where personal and local interests; economic, social and sexual jealousies; considerations of community prestige and conformity; group prejudice against particular persons or types of people; and all sorts of miscellaneous wants, impulses, and habits dominate his outlook.⁶

The reason for the viability of the value premises, Myrdal believes, is the proposition that all of the valuations enshrined in the American Creed--the "self-evident truths" that all men are created equal and that all therefore possess the rights of life, liberty and the pursuit of happiness--are shared by virtually everyone in the society.

We shall find that even a poor and uneducated white person in some isolated and backward rural region in the Deep South, who is violently prejudiced against the Negro and intent upon depriving him of civic rights and human independence, has also a whole compartment in his valuation sphere housing the entire American Creed of liberty, equality, justice and fair opportunity for everybody... At the other end, there are few liberals, even in New England, who have not a well-furnished compartment of race prejudice, even if it is usually suppressed from conscious attention. Even the American Negroes share in this community of valuations.⁷

⁶ Ibid. The nature of people's conflicting valuations as Myrdal perceives it is described in some detail in Chapter II, above.

⁷ Ibid., p. lxxii. The "well-furnished compartment of race prejudice" has surfaced in recent years in New England over the busing issue.

The difference, then, among different groups within American society is seen to be one of degree; the fundamental tenets are remarkably uniform. Myrdal says the only plausible explanation as to why Negroes do not fare even worse in some regions than they already do is the positive effects of the higher ideals manifested in the local white population.

Myrdal preserves his objectivity by deriving the valuations from the study itself through observations of those being studied. There is no question raised as to whether these valuations are "right" or "wrong"; rather the study is an analysis of the society in relations to the observed valuations. Value judgments are made only on the basis of the derived premises. "Throughout this study we will constantly take our starting point in the ordinary man's own ideas, doctrines, theories, and mental constructs", Myrdal writes.⁸

As with the beliefs of the utilitarians, the laissez-faire protagonists of free trade and the public finance writers he had earlier criticized in The Political Element, Myrdal traces the origins of the American Creed back to the Enlightenment and to "natural law". But, whereas he had criticized the former for their claim to objectivity, he accepts as a set of ethical ideals the precepts embodied in the latter. Whereas the writers criticized in The Political Element were using these principles as metaphysical arguments,

⁸ Ibid, lxxiv.

the latter is seen merely as a body of ethical tenets broadly accepted in the society being observed.

An American Dilemma is replete with evidence that the American Negroes' economic position, as well as their social status, was substantially below that of the whites in the 1930's, and was abysmally low by any standard.

The economic situation of the Negroes in America is pathological. Except for a small minority enjoying upper or middle class status, the masses of American negroes, in the rural South and in the segregated slum quarters in Southern and Northern cities, are destitute. They own little property; even their household goods are mostly inadequate and dilapidated. Their incomes are not only low but irregular. They thus live from day to day and have scant security for the future.⁹

Within Myrdal's theoretical framework, social forces operating to keep the Negroes in their depressed conditions are marshalled against forces at work to improve their position. In equilibrium, the two sets of forces neutralize one another and the fundamental question is whether conditions are improving or deteriorating for the Negro.

When the Negroes first arrived in the United States, they had few rights, since they were brought in as chattel goods. Though given nominal equality with whites after Emancipation, much of the repression of the slave

⁹ Ibid, p. 205. Descriptions of the specifics of this situation abound throughout the book. See especially Appendix 6, "Pre-War Conditions of the Negro Wage Earner in Selected Industries and Occupations", pp. 1079-1124.

days was revived in more subtle and insidious forms after Reconstruction and the national compromise of the 1870's. And, sixty years later, when Myrdal was writing, much of that modified repression was still in evidence.

This pattern of common exploitation--where everyone is the oppressor of the one under him, where the Negroes are at the bottom and where big landlords, merchants, and Northern capital are at the top--is obviously the extension into the present of a modified slavery system.¹⁰

Nevertheless, it is important in view of the moral premises of the study to note Myrdal's contention that, with modern-day oppression, it is necessary to bend or circumvent legal provisions of equality to maintain the inferior economic and social status of Negroes.

Initially, the rationale for enslaving Negroes stemmed not from any concept of biological inferiority but derived from attitudes descending from feudal Europe, where some level of servility was the lot of almost everyone.¹¹ But by the time of Emancipation, a number of myths and customs had grown up to perpetuate the Negroes' inferior status.¹²

¹⁰ Ibid , p. 22

¹¹ Ibid , pp. 84-85. Note the medieval nature of the social structure described in the quotation above. On page 89, Myrdal notes, "The fateful word race itself is actually not yet two hundred years old".

¹² Ibid , p. 89. Myrdal says, "The need for race prejudice is... a need for defense on the part of the Americans against their own national Creed, against their own most cherished ideals".

In terms of Myrdal's epistemology these myths formed the basis of opportunistically justifying that status. There were myths of biological inferiority that could be dispelled only by anthropological research, the results of which are still being opportunistically ignored by some. There were myths to justify Negroes' economic position, stating that Negroes can survive on less income than whites require. There were myths depicting the Negro as an inherently irresponsible type of person to vindicate the practice of never hiring him in a position of responsibility. This practice, and that of employers adopting a paternalistic attitude toward their Negro workers, is further reinforced by the myth of Negroes' inferior intellectual capacity. There were even myths to reassure whites that Negroes are happy in their poverty-stricken condition, that Negro poverty is somehow in harmony with the natural flow of things.¹³

The myths are reinforced by ignorance, and by spotty statistical data susceptible to interpretation to strengthen rather than contradict the prevailing folklore. For example, it was known even by 1940 that Negroes have shorter life spans, higher child mortality, less education, more working mothers and more unemployed than their white counterparts. It was a simple matter to apply these statistics as evidence confirming inherent

¹³ Ibid, pp. 97-99. Much of the information substantiating the contents of this paragraph is available in Chapter 4, pp. 83-112.

inferiority, provided one was prepared to overlook the environmental and social factors.

History, too, provides ammunition for the opportunistically-inclined. Immediately after Emancipation, the laws were actually interpreted to provide Negroes with de facto equality alongside whites. But the Negroes were generally uneducated and culturally unprepared for the responsibilities of full citizenship. Therefore, by their actions they frequently fulfilled the prophecies of those who subscribed to the myths of inherent inferiority. Legislators, administrators and judges were able therefore to take away many Negro rights, and to justify the action in their own minds. As a result, long before 1940 many southern Negroes were effectively disenfranchised, though nominally protected by the Constitution. This was achieved by systematic misinterpretation of regulations, unconstitutional laws not applied equally to whites, the ignorance of Negroes themselves about their rights of citizenship, and the complicity of the courts. Literacy tests, means tests, poll taxes, character vouchers and the famous "grandfather clause" (legislation passed by some states restricting voting rights to those whose ancestors voted prior to 1861) were supplemented by the outright terrorism of prospective Negro voters.

The mechanics of institutional injustice, then, were a corrupt police and judicial system and, most important, intimidation and occasional violence, but always the threat of violence without recourse. All of this is

of course in flagrant violation of the tenets of the American Creed. But in support of this tendency, Myrdal says, is the Americans' custom of inscribing their ideals in laws, and in their relatively low respect for law and order.¹⁴

Administrative discrimination often featured the misappropriation of funds--usually from federal sources aimed at alleviating the roots of poverty--and channelling of the money elsewhere. Funds for schools, for example, were often directed almost completely to schools for whites. Small landholders--including, therefore, almost all Negro landholders--were frequently denied access to aid under federally-sponsored programs.

Negro institutions such as churches were often financed by the white community, so that the Negroes' potential militancy through these institutions was circumscribed. Also the one-way enforcement of segregation laws (no white, for example, would ever be prosecuted for sitting in the Negro section of a bus if he ever should deign to sit there'), the obsequious "courtesies" Negroes were expected to pay to whites to show themselves as inferior, the one-sided sexual taboos, all made it easier for members of both races, or, rather castes, to accept the dichotomy.¹⁵ Too, Negroes were

¹⁴ Ibid, p. 14. "There is a relation between these two traits, of high ideals in some laws and low respect for all laws, but this relation is by no means as simple as it appears", write Myrdal.

¹⁵ Myrdal describes the Negro in American society as being in a caste, in Chapter 31, pp. 667-688, and in Appendix 8, "Research on Caste and Class in a Negro Community", pp. 1129-1132.

arrested more often on flimsier charges, tried without full understanding of their legal rights, convicted and forced to serve their sentences without parole more often than were whites.

Given their social disadvantages, it can hardly be surprising that Negroes were the poorest group of Americans, living for the most part in the most depressed region of the country, and engaged in the most depressed of occupations, agriculture, under the most uneconomic conditions, sharecropping the poorest, most overworked land. Because increasing mechanization often put them out of work--operating machinery was considered "white man's work"--federal programs often had the effect of exacerbating their plight. The Negroes of America had neither the resources nor the incentive to change.

The human conditions and the institutional backdrop described briefly in the foregoing pages and in intense detail in An American Dilemma form the basis for development of Myrdal's dynamic economic theory through the principle of cumulative causation.

Because the Negroes were first introduced to America as slaves and because they were economically and culturally unprepared for Emancipation when it occurred, it is safe to conclude that there was an initial position of disparity between them and the white population, even though the exact nature of their status and the way they were treated by their white masters varied between plantations and over time. Moreover, the "equality" Negroes

achieved after Emancipation was by the most charitable interpretation nominal and short-lived.

Because the Negroes were thus effectively excluded from sharing equally in the growing prosperity of the United States, their living standards remained stagnant or declined while the majority of the white population enjoyed the benefits of half a century of spectacular national growth. Far from creating a climate which provided Negroes an equal opportunity for advancement as set forward in the American Creed, the institutions of the day contributed mightily to a growing disparity, a growing disequilibrium, between the level of living enjoyed by most whites and that of most Negroes. Once the pattern was established, a vicious circle of poverty, ignorance, discouragement and self-fulfilling prophesies of failure within the Negro community was set in motion to widen the initial gap between the races, aided by the folklore of Negro inferiority. Myrdal fortifies the argument when he points out that the vicious circle also acts against poor whites. "Few people have enough imagination to visualize clearly what a poor white tenant or common laborer in the South would look like if he had had more opportunities at the start," he writes.¹⁶

One might expect the depiction of such extremes in inequality and

¹⁶ ibid , p. 209.

repression would elicit an equally gloomy prognosis for the future. But one conspicuous characteristic of the study is Myrdal's optimism. Despite the lengthy analysis of Negro poverty and the hundreds of pages devoted to describing the conditions and reasons for social inertia, Myrdal argues that the forces for progress were in the early 1940's slowly tilting the social system in favor of greater equality, and the process was actually accelerating. Before looking at the factors Myrdal cites as contributing toward this happy trend, that is, militating against ever-increasing inequality, it will be useful to examine the conditions he believes prerequisite to improvement.

The dynamics of the problem is this: A primary change, induced or unplanned, affecting any one of three bundles of interdependent causative factors--(1) the economic level; (2) standards of intelligence, ambition, health, education, decency, manners and morals; and (3) discrimination by whites--will bring changes in the other two and, through mutual interaction, move the whole system in one direction or the other. No single factor, therefore, is the "final cause" in a theoretical sense. From a practical point of view we may, however, call certain factors "strategic" in the sense that they can be controlled.¹⁷

In other words, governments may not be able to legislate an end to growing inequality between the races, but government policies can, by improving one or more of the bundles of factors enumerated above, create a climate amenable to a movement toward greater equality, or at least for greater

¹⁷ Ibid, p. 208. The system of cumulation is also elaborated in Chapter 3, on pp. 75-78, and in considerable detail in Appendix 3, pp. 1065-1070.

equality of opportunity.

Although there was little visible evidence in 1940 of an increase in Negroes' prosperity, the quickening pace of the national economy was seen as a beneficial portent since, Myrdal reasoned, sooner or later, a measure of this new wealth would percolate down to the Negro community. Rising education levels were acting to decrease the number of Americans who persisted in the perpetuation of racial myths, and Negroes, too, were sharing in the improved education levels. This had positive spinoff effects on the other ingredients of the second bundle of factors. The Second World War, fought for the principles on which the American Creed is based and in which American Negroes were to make an important contribution, would have an unsettling effect that would ultimately benefit the Negroes, Myrdal argued. And, consistent with Myrdal's belief that it is easier for men to adhere to their higher valuations when identifying themselves with an institution, he believed the growing participation of the federal government in the South would facilitate the Negroes' receiving a fairer share of the federal programs' benefits.

In summary, there were important aspects of each of the three bundles of factors acting to reduce the level of inequalities between the races, acting to reverse the earlier trend toward increasing inequality and discrimination that had characterized the post-Emancipation era. However, Myrdal was not predicting a move toward equilibrium but rather a change in overall direction

of a system inherently and normally in disequilibrium. Though cautious to emphasize that the outcome is not predetermined, Myrdal states emphatically that in his opinion, the factors favoring social progress will hold sway in the long run over the forces for repressing the Negro.

When looking back over the long manuscript, one main conclusion--which should be stressed here since it cannot be reiterated through the whole book--is this: that not since Reconstruction has there been more reason to anticipate fundamental changes in American race relations, changes which will involve a development toward the American ideals.¹⁸

The real basis for Myrdal's optimism is his contention that "The important changes in the Negro problem do not consist of, or have close relations with, 'social trends' in the narrower meaning of the term but are made up of changes in people's beliefs and valuations".¹⁹ In a later work,²⁰ Myrdal was to argue that the policies of governments, institutions, and the attitudes toward life and work of a society's members

¹⁸ *Ibid.*, p. lxi. For development of this argument, see Chapter 45, "America Again at the Crossroads", pp. 997-1024. In an interesting article published in 1974, "Mass Passivity in America", *The Centre Magazine* 7 (March/April, 1974): pp. 72-75, Myrdal contends that the reason America has not progressed more rapidly toward a closer realization of the American Creed ideals is the lack of broad-based participation in the nation's institutions and in the democratic process generally. See also *Challenge to Affluence*, published in 1963.

¹⁹ *Ibid.*, p. 998. The statement is italicized in the original.

²⁰ *Asian Drama*, vol. iii, p. 1860 ff.

are the primary determinants of the economic trends. Though he does not explicitly make that statement in An American Dilemma, the importance he attaches to changes in the attitudes of white and black Americans is significant.²¹

This optimism, moreover, is not confined to the conclusions of the study but surfaces throughout Myrdal's approach to social science research.

The rationalism and moralism which is the driving force behind social study, whether we admit it or not, is the faith that institutions can be improved and strengthened and that people are good enough to live a happier life.²²

An American Dilemma combines the characteristics and elements of Myrdal's approach that were to become a hallmark of his works in future years. Though directed at a specific aspect of life in American society, Myrdal analyzes it in terms of universal values: "The American Creed is older and wider than America itself".²³ He develops his analysis within

²¹ Specific examples are found in An American Dilemma, Chapter 45, pp. 997-1024.

²² Ibid, p. 1024. The author also says on the previous page, "When the author recalls the long gallery of persons whom, in the course of this inquiry, he has come to know with the impetuous but temporary intimacy of the stranger... the general observation retained is the following: Behind all outward dissimilarities, behind their contradictory valuations, rationalizations, vested interests, group allegiances and animosities, behind fears and defense constructions, behind the role they play in life and the mask they wear, people are all much alike on a fundamental level. And they are all good people. They want to be rational and just. They all plead to their conscience that they meant well even when things went wrong".

²³ Ibid, p. 25.

his dynamic cumulative causation framework, dealing critically with static theories based on folklore, ignorance and misinformation. His rationalism and idealism are exhibited, and, most visibly and emphatically, his optimistic outlook. He pinpoints and explains a number of sources of error and confusion stemming from semantic difficulties as he unveils a simple but useful epistemological position. Underlying the conclusions and the optimism, even the universal nature of the theme, is Myrdal's commitment to the moral imperative as a primary determining factor for change, even reaching to fundamental economic issues as the distribution of a nation's resources.

B. The Late Forties and Early Fifties

Myrdal published no new books--and only a few articles--between 1944 and 1956. The articles he did publish were disparate and uncoordinated. Nevertheless, they reflected the practical experience Myrdal was accumulating in his political and administrative positions, and the expansion of his interests from national problems to global concerns.²⁴ The ideas developed in these few articles were consistent with his overall philosophy. Thoughtfully developed, they were subsequently assimilated into the rest of his writings.

²⁴ As stated in Chapter I, Myrdal served in the Swedish cabinet in the mid-1940's as Minister of Commerce, and in 1947 became Executive Secretary of the United Nations Economic Commission for Europe. All of these

In an article published in 1951,²⁵ Myrdal outlines in brief his postulate that the trend toward disequilibrium in the economies of advanced industrialized nations has exacerbated the need for government planning at the national level. Indeed, he says, the term "economy" implies a plan of sorts, even where, as with laissez-faire liberalism, the "plan" is to do nothing. This renders sterile the ideological debates rampant during the early years of the Cold War as to whether "planned economies" are desirable, essential or evil, since the phrase is a tautology.²⁶

Catalyzed by two great wars and a depression, Myrdal says, the trend toward planning as evolved in all industrial nations as a necessary adjunct to technological advances. The pressing urgency was to enable the state to mobilize resources for war, and to neutralize the negative effects of business cycle downswings, though planning is also useful for achieving social goals. Moreover, Myrdal argues, the increasingly sophisticated nature of government participation in advanced economies and the psychological effects this activity

activities were carried on until 1950 in conjunction with his position as Lars Hierta Professor in Political Economy and Public Finance at Stockholm University.

²⁵ "The Trend Towards Economic Planning", Manchester School of Economic and Social Studies, Jan., 1951, pp. 1-42.

²⁶ Propagandistic arguments from either side to the contrary, Myrdal says, Marx no more than other "natural law" philosophers considered state intervention within an economy to be a viable alternative.

has on the citizenry have set a cumulative process in motion that has rendered the trend toward increased government planning irreversible.

This theme, the growing necessity for planning, for a managed harmony in the absence of one that occurs naturally, recurs in virtually all of Myrdal's subsequent books.

One important effect of the increase in government activity within society is increased national integration. Myrdal believes this end is in itself desirable and ultimately necessary from a national standpoint. But as Myrdal expands his horizon from the national level to that of the world he finds himself in a conundrum: the national parochialism that often is a side-effect of successful national integration seriously hampers the achievement of a larger but equally important goal, that of international integration.²⁷

Myrdal sees the expansion to worldwide integration as an integral part of a continuing world order, yet it cannot possibly develop without the achievement of national integration first. Though essential to stave off growing economic disequilibrium on a world scale, international integration must remain an ideal, he reasons, until conditions can be created to

²⁷ "Psychological Impediments to Effective International Cooperation", Kurt Lewin Memorial Lecture, Supplement No. 6 to the Journal of Social Issues, 1952.

generate a cumulative process in gravitating towards it. Myrdal concludes that the conundrum can only be resolved through increased maturity of individuals within national groupings, and through education.²⁸

He observes just one modest manifestation of some progress in the direction of internationalism: the ability of many staff members of international institutions to identify with their institution and its goals, over those of the nation of their national origins. Similarly, in developing national integration, representatives of the government and other nation-wide institutions often adopt national valuations that transcend regional or even petty personal valuations.

In one article, Myrdal expresses concern for the future of intellectual integrity among scholars.²⁹ He notes the powerful tradition among scholars that has contributed to the progress of society, a tradition that has enabled scholars to follow their findings to their conclusions, however heretical these

²⁸ This view is reinforced and strengthened in an article he wrote in 1974, "The Case Against Romantic Ethnicity", The Center Magazine 7 (July/August, 1974), pp. 9-21. Here he argues that whatever cultural benefits accrue to a society by the encouragement of ethnic customs of its immigrants are more than negated by the petty barriers erected by such groups against one another. The divisive effects are pervasive and harmful.

²⁹ "The Relation Between Social Theory and Social Policy", reprinted in Value in Social Theory, pp. 9-54. It was the opening address at the Conference of the British Sociological Association, 1953, and was reprinted from The British Journal of Sociology, Sept., 1953, pp. 210-242.

conclusions might be.

The trend since the First World War toward recruitment of social scientists by non-university institutions has presented researchers with both an opportunity and a temptation. The opportunity is given them to ply their trade in new ways, and so to broaden their scope and experience and therefore their respective professions. But the temptation is to allow their perspective to be perverted, however subtly or unconsciously, by their positions in such institutions as government and industry, and by the views of the institutions' leaders, and in so doing to allow to become colored not only their research results but also the very nature of their work. Some obvious manifestations of this type of perversion include government propaganda and the type of advertising that has stemmed from the research results obtained in industrial psychology.

Such activity, Myrdal says, hampers rather than aids in the process of weeding out the ignorance and misunderstanding that often stands in the way of positive cumulative effects in a social system.

The functions of international organizations come under scrutiny in two of Myrdal's articles during this period.³⁰ Myrdal quickly points out that

³⁰ "Realities and Illusions in Regard to Inter-Governmental Organizations", L. T. Hobhouse Memorial Trust Lecture, Oxford University Press, London, 1955; and "The Research Work of the Secretariat of the Economic Commission for Europe", in 25 Economic Essays in Honor of Erik Lindahl, Stockholm, 1956, pp. 267-289.

these institutions are not what their constitutions bill them to be--that is, supra-governmental political entities. Rather, he says, it is more realistic to view them as loci for member governments to carry out national policy goals and to articulate national viewpoints. It is imperative to see them this way to comprehend the working of these institutions. For, where there are apparent triumphs of international diplomacy, he says, it simply indicates either that the accomplishment was of little consequence to any of the parties involved, or that there was a fortuitous convergence of interest.

But, he says, these organizations provide a forum for contact among member nations on a more continuous basis than would otherwise be possible. Moreover, they provide an opportunity for useful research untrammelled by narrower national prejudices. And they provide a statement of the higher valuations shared by all nations, even if day-to-day business is generally conducted at the more pedestrian level of pragmatic national valuations.

Finally, the relative novelty of these international institutions must be borne in mind when evaluating their accomplishments, Myrdal says, invoking the historical long run to allow his optimism to triumph. Indeed, he says, their very survival since the visionary days at the end of the Second World War is itself a noteworthy attainment.

Moralism and realism here have combined with Myrdal's personal experience in working with the United Nations Economic Commission for

Europe to provide this rather sunny assessment of the workings of international institutions.

One brief treatise which assumes the moral imperative as a dominant motive for foreign aid provides a caveat for prospective donors.³¹ The article was one of the first writings to indicate the clear-cut superiority of trade concessions, grants and low-interest loans as vehicles for aid-giving, over project grants or food handouts. In it, Myrdal also points to the desirability of administering aid through an international agency rather than on a bi-lateral basis. Finally, he warns, Cold War doles of military aid may be harmful to the economies of the recipient nations. All of these contentions are demonstrable; nevertheless, administrators of aid from donor countries still in many cases systematically refuse to make themselves aware of them.

These articles, written informally and often for a specific audience, articulate ideas frequently repeated in the book-length offerings. They provide some insight into the process by which Myrdal's perspective widened and how he interpreted the world.

³¹"Trade and Aid", The American Scholar, 1957, pp. 137-154.

CHAPTER V

AN INTERNATIONAL APPROACH

Myrdal now extended the application of his cumulative causation disequilibrium theory to international work. Whereas in An American Dilemma, the emphasis had been on the gap between the levels of living of two major groups, the Negroes and whites, in a national setting, the books Myrdal wrote in the 1950's projected the disparity issue worldwide. Three of the works written in the late 1950's, An International Economy, Economic Theory and Underdeveloped Regions, and Beyond the Welfare State, show how the evolution of the "welfare state" has narrowed the income distribution gap between the richest and poorest members of societies in wealthy countries and then expand this concept into a "welfare world". A fourth, Challenge to Affluence, examines aberrations in the trend toward a welfare state in American society and discusses the implications of this apparent national anomaly for the rest of the world. In addition to his now characteristic dynamic theory, Myrdal's characteristic caution in the use of "value-laden" terms and phrases and the epistemological principles developed in earlier years re-appear, backed by the pervasive moral undertones of the entire theme.

Myrdal believes that the major obstacle to the developing of a planned "welfare world" operating across national boundaries, but modelled after the institutions of the national welfare state, is the inability for most persons

to identify themselves with a worldwide Leviathan.¹ Other serious problems are also identified,² but this provincialism, which Myrdal says is based on ignorance and outmoded attitudes, is the most difficult to combat. It becomes a source of immense difficulty when determining the value premises in research.

It is precisely the question of value premises and the way they are derived that become the focal point of change when, in the late 1960's, Myrdal published Asian Drama. Though still based on the disequilibrium theories of cumulative causation in both a national and an international setting, his theory is superior to that used in the writings of the 1950's because it is developed from the point of view of the citizens of the poor countries. In the earlier works, as Myrdal himself admits,³ the

¹ Indeed, as is evident even in an advanced nation such as Canada, many still have trouble identifying with institutions at the national level!

² These are described in "Psychological Impediments to Effective International Cooperation", discussed in Chapter IV, above, and in An International Economy, below.

³ In the Preface to Asian Drama, p. xi, Myrdal describes the problems he encountered while working from within the Western framework: "As I worked on I became increasingly aware that many of the concepts and theories commonly used in analyzing the problems of the under-developed countries in South Asia broke down when criticized from the point of view of their logical consistency and their realism, that is, their adequacy to reality. To work my way through what I gradually came to view as severely biased preconceptions--many of which I had shared with most of my fellow economists--was again a slow and painful process. This analytical deficiency has had a crucial effect on the character of the study".

institutions discussed, the goals assumed and the perspective adopted, though worldwide in nature, remained those of a Western scholar. In Asian Drama, the valuations have their origins in the needs and, to a lesser extent, the aspirations of the people of the underdeveloped regions, and specifically of South Asia.⁴ The result is a more unified and consistent theory of underdevelopment.

In the works published after Asian Drama, Myrdal broadened his theory so that he could reach conclusions which were worldwide in scope. The most important of these is The Challenge of World Poverty, published in 1970. In its introduction he states, though without broad qualifications, that as a result of study and travel after Asian Drama was completed, he believes the conclusions of that work can in general terms be applied in all of the underdeveloped regions. This conclusion broadens the study again to the scope of the writings of the 1950's. One other book-length contribution, Objectivity in Social Research, provides a summary of Myrdal's methodological theories, and there were numerous articles which appeared in scholarly journals and other periodicals.

⁴In Asian Drama, Myrdal explicitly states in his preface that the ideas developed relate strictly to that region alone: "The 'theory' I have tried to formulate relates to the South Asian region, which is the only one I have kept under close observation. I have not in general felt it within my province to inquire in this study whether the theory, or any part of it, is valid for other underdeveloped regions in the world". But in an appendix to The Challenge of World Poverty, he states: "When for the

A. The World as an Economic Unit

The three books Myrdal published between 1956 and 1960 were not initially intended as a trilogy but can logically be considered as one. The first, An International Economy, is the major work. In it Myrdal introduces the framework for examining disequilibrium in the international economic system, analyzes the practical problems involved in increasing international integration, and discusses the global consequences of failure to move toward this goal. Economic Theory and Underdeveloped Regions, published in 1957, focuses on the nature of the growing international disequilibrium and its causes, and scrutinizes what Myrdal considers to be a body of theoretical literature that has contributed to the present trend, notably international trade theory that has descended from the Classics. The third book, Beyond the Welfare State, has a more positive theme. It emphasizes the potential benefits to rich nations and poor of evolving the "welfare world" that Myrdal believes must develop out of an environment of increasing international integration. Also discussed briefly in this section is Challenge to Affluence, which deals specifically with the development of the welfare state in the United States, and places that issue in the context of international affairs.

purpose of the present book I had to give attention to conditions in other regions, I was surprised to find that with all the obvious differences, not least in historical background, economic and social conditions were relatively similar and had resulted in policy problems of much the same character."

1. An International Economy

Prior to 1914, Myrdal says, the world had achieved an international integration of sorts. But it was a closed system, and the special conditions that had maintained it in the 19th century began to disintegrate with the onset of the First World War.

The integrated "world" of the 19th century was comprised of the advanced nations of Europe and North America in comparative isolation; it encompassed a number of "backward regions" with relatively advanced enclaves operated to the benefit of the wealthy countries. But even in the most advanced countries, the "people", whose interests the governments represented, were the upper classes. For this relatively small group, a stable system held top priority. Thus, prices and interest rates were held comparatively stable, while unemployment and exchange rates were allowed to fluctuate. And, at least in comparison to the 20th century, there was considerable factor mobility: surplus population from Europe migrated to North America and other "empty lands", followed by immense outflows of capital from the advanced countries.⁵ International economic equilibrium was fairly easy to maintain within this informal, clubby atmosphere in a world where the costs of this equilibrium were shifted to the lower classes and the inhabitants of the backward regions.

⁵Economic Theory, p. 147.

But times changed. The mass migration ended. International trade fell off dramatically, at least in relation to production levels. The international monetary system was not revived after its collapse in the 1930's. Changes in the power structure of the advanced nations forced them to place increasing emphasis on keeping unemployment within acceptable limits and on maintaining ever-higher wage levels, even at the expense of price stability and the level of exports. The rise of national independence among former colonies and other international developments such as the Cold War combined to give the underdeveloped regions more prominence--and more influence--than in the past. And, most important, despite the changes and perhaps even to some extent because of them, the income gap between rich and poor countries continued to widen.⁶ For Myrdal, even the interpretation of the integration has altered over time.

The term "integration" is now employed in a sense almost contrary to the old one: as signifying a goal of social change instead of static balance and more specifically, of the internal and mutual adjustment of national communities rapidly brought into much closer interdependence.⁷

But its present meaning is very complex:

The economy is not integrated unless all avenues are open to

⁶ All of these facets of international disintegration are considered at length in An International Economy, pp. 32-166, Chapter IV-XI.

⁷ Ibid, p. 10.

everybody and the remunerations paid for productive services are equal, regardless of racial, social, and cultural differences... Economic integration is at bottom not only, and perhaps not even mainly, an economic problem, but also a problem of political science, sociology, and social psychology... Economic integration is a complex phenomenon that cannot be properly studied without looking at the full range of social change.⁸

One vitally important precondition to successful international economic integration, Myrdal reasons, is economic integration on a national level. To try and gain some understanding of the effects of successful integration, he points to the wealthiest nations and finds that they are highly integrated.

We shall find that in the advanced countries where economic integration has gone furthest, it has been the outcome of fundamental changes in all social relations; these changes have generally implied a fuller realization of the Western ideals I referred to. Economic progress has been woven into this process of social change by being both cause and effect; redistributive reforms have gradually been given more and more importance as the national communities become richer. Looking backwards, the achievement of the high level of economic integration in these countries appears as the result of interactions within a dynamic social process of cumulative causation. This process has continuously been furnished with new momentum by economic progress--which, however, itself has been conditioned and spurred by other changes--and by the norms and ideals constantly operating through people's valuations, the fuller realization of which has, at the same time, gradually strengthened them as social forces.⁹

This presents a formidable obstacle on the international level, Myrdal shows in a later chapter, because the most effective means of improving

⁸ Ibid., p. 11.

⁹ Ibid., pp. 12-13.

national integration--currency restrictions, high tariffs, import substitution, restrictions on emigration, and even education programs designed to expand citizens' loyalty from the tribal or provincial level to the national level--often are among the most inhibiting to the achievement of the larger goal. So, fundamental to international integration is the prerequisite of national integration; the larger goal must be sacrificed where necessary to assist in the success of the more local one.¹⁰

Myrdal's conception of international economic integration is the projection of the conditions of national integration onto a wider backdrop.

This may seem far-fetched, but is, in fact, what we must mean, if we consider the matter. If we hesitate to express it so clearly, it is only because we are further away from the goal and because we of the richer countries are not yet prepared to accept in practice, even in a small measure, the consequences of the ideal of international integration.¹¹

The reasons we are so far from achieving the goal are, he says, the lack of social cohesion across national boundaries, the primitive level of international political settlement, the ineffectiveness of international law, and the drive toward national integration in many nations.¹²

¹⁰ See An International Economy, Ch. III, pp. 17-31, but especially pp. 29-30.

¹¹ Ibid., p. 13.

¹² Ibid.

The discussion of the chief valuation of this study has been protracted because the concept is itself so vague. Myrdal acknowledges this vagueness without apology.

(The) definition of "economic integration" and, consequently, the specific value premise for our study, is vague. But this vagueness is not caused by careless or faulty logic. It is in the nature of things. It corresponds to the fact that within a wide area different people think of different policies when they express their allegiance to that ideal... No rational purpose is served by disguising these differences. Rather, it is by itself a scientific task to lay them bare.¹³

Myrdal's reason for adopting economic integration as the keystone value premise in his work is that he considers it "the realization of the old Western ideal of equality of opportunity".¹⁴ But the ideal of international integration must be made compatible with a second value premise which Myrdal holds to be equally important: "That the attainment and preservation of a democratic form of government is desirable is a general value premise of this study".¹⁵

¹³ Ibid, p. 14.

¹⁴ Ibid, p. 11. Originally, this was in italics. In addition to the secondary valuations of increasing equality and social change, Myrdal believes that economic progress is desirable because it is a precondition to increasing economic integration. But he argues in turn that economic integration is essential to sustained economic progress.

¹⁵ Ibid, p. 15. Original italicized.

As in his other studies, the analysis of international integration is done within the framework of cumulative causation, a framework he describes as having "a wide if not universal application".¹⁶ But, following an assessment of trends in the world since the far-reaching institutional changes that began at the outset of the First World War, Myrdal realistically concludes:

It is not possible to conclude that the non-Soviet world is now on the way to a higher level of economic integration. In most respects trends are definitely in the opposite direction.¹⁷

Myrdal is forced to admit that empirical evidence indicates that many of the underdeveloped nations will not even achieve the preconditions necessary for participating in a better-integrated world: "...it is impossible to end with any other conclusion than that, short of a number of near-miracles, few underdeveloped countries will succeed in attaining their essential goals. The alternative to reasonable success is political catastrophe".¹⁸ But this prognosis, somber as it is, does not imply that Myrdal has lost his fundamental optimism, his faith that in the long run man can meet even the most powerful challenge:

¹⁶ Ibid, pp. 15-16.

¹⁷ Ibid, p. 299.

¹⁸ Ibid, p. 314.

The present author, however, does not believe in a determinist philosophy of history. He constantly tries to recall that history is man-made and never a blind destiny, determined in advance. Trends do change, the unexpected happens. When the need was greatest, inspiration and leadership have often worked near-miracles in the history of nations.¹⁹

And, he notes at the book's conclusion, "We have the freedom to readjust our policies and, thereby, to deflect and change the trends".²⁰

And so, even where difficulties are seen to be "almost insurmountable", a plan for action emerges. As in An American Dilemma, Myrdal portrays the problem of great and increasing inequality as being at base a moral dilemma. The dilemma--and, therefore, the imperative to action--is that of the citizens of the wealthy nations, for it is they who have the power to act. What is urged is that the members of this exclusive group make short-term sacrifices so that everyone, themselves included, may benefit. Although the sacrifice may not appear worthwhile to the rich, this is only because the major benefit is indirect. This major benefit is the avoidance of an international economic and social cataclysm in which they lose all of their present advantages. For Myrdal argued that whereas Marx has been proven wrong about the outcome of the class struggle at the national level, the holocaust he predicted could in a nuclear world become an

¹⁹ Ibid.

²⁰ Ibid, p. 335.

accurate prophesy at the international level.²¹

The initiative must come from those already rich, Myrday says, because these nations are best situated to make whatever short-run sacrifices are necessary. The wealthy nations are also in a position to encourage the development of the rest of the world with trade concessions and foreign and technical aid.²²

2. Economic Theory and Underdeveloped Regions²³

More than either of the other books discussed in this section, Economic Theory complements the arguments developed in An International Economy. All of the elements comprising Myrdal's approach are present in the earlier work, but some are not elaborated; it is these little-developed aspects that receive prime treatment in Economic Theory. The best example of complementarity is the most basic: the cumulative, circular causation framework, used sparingly in An International Economy, dominates the later work. The moral imperative, which, as will be shown in section 5, below, is pervasive in An International Economy, is noted but not stressed.

²¹Ibid, pp. 315-319 and 323-326.

²²Ibid, pp. 331-335.

²³Hereafter referred to as Economic Theory.

Myrdal addresses himself assiduously to the task of explaining how the income gap between the rich and poor nations continues to grow.²⁴ As with the concept of integration in An International Economy, he begins with a local example and then widens its scope. Circular causation, then, is described first in a regional context. A key industry is taken away from a town as a result of external circumstances: a fire burns down the plant, and the plant is not rebuilt. As a result, the tax base is eroded and taxes must be raised to maintain services. People leave or fail to be attracted to the town because of relatively high taxes. As the population dwindles, the situation worsens until services are cut back, service industries leave and other factors contribute toward contracting size and increasing poverty. But, like the analysis of interest rate trends in Monetary Equilibrium, the system is symmetrical: if a major industry were to establish in the town, rather than one burning down, an upward cumulative process would be established. Such a stimulus to the local economy could occur autonomously but would be more likely as a result of tax incentives or other measures to encourage a fresh infusion of economic activity. Normally, such measures would be the result of government policy, rather than as a natural event: "the cumulative process, if not regulated, will cause increasing inequalities."²⁵ As was the case with the analysis of interest rate movement

²⁴ Economic Theory, Chapter 2 and 3, pp. 11-39.

²⁵ Ibid, p. 12.

and the business cycle, it is the intervention of a major institution, in this case the government, which normally initiates a movement back toward an equilibrium position. Moreover, there are so many factors determining both the definition and the determination of income levels that absolute parity with other regions remains as an abstract ideal rather than a precise and achievable goal.

In terminology adopted by Myrdal, the negative effects of changes on the achievement of stated value premise goals are "backwash effects"; the positive effects are called "spread effects".²⁶ Migration, capital movements and trade are seen as the major "backwash" or "spread" effects, depending on their direction and net effects, but there are numerous other factors that contribute in one direction or the other--for example, expansion or contraction of transportation facilities, education levels, health care, demographic trends and the traditional customs of a society. Some of the key determinants are amenable to direct influence through government policy. These may be economic, social or political in their primary effects, but all may have far-reaching effects on an economy. Each is generally a mixture of "backwash" and "spread" effects, though one or the other will prevail. He argues, "The main idea I want to convey is that the play of the forces in the market normally tends to increase, rather than to decrease,

²⁶ Ibid, pp. 27-38.

the inequalities between regions".²⁷

If things were left to market forces unhampered by any policy interferences, industrial production, commerce, banking, insurance, shipping and, indeed, almost all those economic activities which in a developing economy tend to give a bigger than average return...would cluster in certain localities and regions, leaving the rest of the country more or less in a backwater.²⁸

Also important, once these ideas are projected to the global context, is Myrdal's theory as to how centres and peripheries evolve in the first place.

Occasionally these favored localities and regions offer particularly good natural conditions for the economic activities concentrated there; in rather more cases they did so at the time when they started to gain a competitive advantage. For naturally, economic geography sets the stage...But within broad limits the power of attraction today of a centre has its origin mainly in the historical accident that something was once started there, and not in a number of other places where it could equally well or better have been started, and that the start met with success. Thereafter the ever-increasing internal and external economies...fortified and sustained their continuous growth at the expense of other localities and regions where instead relative stagnation or regression became the pattern.²⁹

On the international scale the same principles apply. Myrdal notes the similarity of the problem at the international level and, also, the greater problems of internal integration faced in less developed countries.

²⁷ Ibid., p. 26.

²⁸ Ibid.

²⁹ Ibid.

The relations between relative lack of national economic integration and relative economic backwardness run both ways. To a low level of economic development correspond low levels of social mobility, communications, and popular education; this implies greater impediments to the spread effects of expansionary momentum. At the same time the poorer nations have for much the same reasons and because of the very fact of existing internal inequalities often been less democratic and, in any case, have, because they are poorer, been up against narrower financial and, at bottom, psychological limitations on policies seeking to equalize opportunities.³⁰

One reason the international system tends to allow backwash effects on integration to prevail is the absence of a world state which could coordinate programs to reverse the trend. The operations of international institutions attempting to fill this role are hampered by the lack of a coordinating body with power of enforcement and recognized legitimacy, as well as the short-sighted postures and policies of the rich nations.³¹

A second important factor is the nature of international trade. "On the international as on the national level", says Myrdal, "trade does not by itself necessarily work for equality. It may, on the contrary, have strong backwash effects on the under-developed countries".³²

Manufactured goods from the advanced regions can paralyze cottage

³⁰ Ibid , p. 51

³¹ Ibid , pp. 63-65.

³² Ibid , p. 51.

industries. Where two-way trade does develop, it tends to be in the production of primary products, where employment is mostly unskilled and where market demands are often inelastic and subject to wide price fluctuations. The excessive supply of unskilled labor in most under-developed economies tends to allow any advantages from lowering of production costs to go to the importing countries; in other words, terms of trade, over time, will worsen. Since labor migration from these countries is out of the question, at least in appreciable quantities, and to attract capital the governments must compete with highly profitable and more stable investment prospects within the rich countries themselves, the forces for stagnation and regression meet little resistance. This situation differs acutely from that of a century ago when Europe and North America were developing.³³

Having developed the theory that there is a pervasive disequilibrium tendency within the international economic system, Myrdal devotes the last section of Economic Theory to a discussion of the prevalent economic theories that postulate the opposite. The nub of the problem is broached in the book's preface.

I have here chosen to focus on one particular aspect of the international situation, namely the very large and steadily increasing economic inequalities between developed and

³³ Ibid, p. 53.

underdeveloped countries. Though these inequalities and their tendency to grow are flagrant realities, and though they form a basic cause of the international tension in our present world, they are usually not treated as a central problem in the literature on underdevelopment and development.³⁴

The reason is the "conservative predilections" that steered 18th and 19th century thinkers away from the implications of their egalitarian beliefs, and which Myrdal had first discussed in The Political Element thirty years earlier.³⁵ In other words, it is a form of opportunism of ignorance. The conservative predilections are quickly reviewed in the present volume.³⁶ They include the "natural harmony" premise; its corollary, laissez-faire political and economic policies; the free trade doctrine, with which this argument is most closely connected; and, also very relevant, the concept of stable equilibrium.

Because the free trade argument starts with the assumption of natural harmony, the burden of proof is assumed to be with the interventionist. But, Myrdal replies, "The free trade doctrine... is usually presented as a conclusion from theoretical analysis; in reality, it is, however, the matrix in which the entire analysis had been moulded".³⁷ Once the natural harmony

³⁴ Ibid, Preface, pp. v-vi.

³⁵ See The Political Element, Chapter 5, pp. 104-139.

³⁶ Economic Theory, pp. 135-146.

³⁷ Ibid, p. 141 ff.

premise is abandoned, free trade becomes one of an infinity of possibilities and is no longer a logically tenable practical conclusion. Even if it were, he says, the theory is always circumscribed by a number of abstract assumptions and reservations, one of which is the assumption of pure competition. "Such a situation has never existed and the actual trends are to move society ever further away from it", Myrdal asserts.³⁸ Moreover, he says, when British economic theorists were advocating free trade, they were doing so because free trade would be good for Britain, and not because it would benefit the world in general; at best, the latter would be a happy side effect.³⁹

But, beyond these basic arguments, Myrdal says, the convenience of ignorance that provides for the continued acceptance of free trade theory, despite growing evidence that the rich-poor gap continues to grow apace.⁴⁰ International trade theory, he says, is totally out of step with reality and as such should be abandoned in favor of new research. To grapple with the problems of the underdeveloped countries, and with international trade theory in particular, a new generation of economists must address itself imaginatively

³⁸ Ibid.

³⁹ Ibid., p. 146.

⁴⁰ Ibid., pp. 147-158.

to the problem.

In our present situation the task is not, as is sometimes assumed, the relatively easy one of filling "empty boxes" of theory with a content of empirical knowledge about reality. For our theoretical boxes are empty primarily because they are not built in such a way that they can hold reality. We need new theories which, however abstract, are more realistic in the sense that they are in a higher degree adequate to the facts.⁴¹

The conclusion is that new theory must be based on premises derived from empirical observations, premises which, if they fail to stand up to subsequent observations, must in turn be discarded for better ones.

3. Beyond the Welfare State

The basic conceptual framework and value system developed in An International Economy again prevail in Beyond the Welfare State, published in 1960. But in this book, the main emphasis is on the specifics of how the upsurge in planning in the wealthy countries has benefitted them. It also discusses the theme that the underdeveloped countries must in turn adopt government planning and work to achieve a high degree of national integration. Ultimately, Myrdal argues, the world must, if it is to avoid a catastrophe following from global class warfare--that is, the wealthy nations ranged against the poor nations, in a nuclear confrontation--

⁴¹ Ibid, pp. 163-4. Myrdal throws the challenge of finding new theories to the new generation of economists from the underdeveloped countries in Chapter 8, pp. 98-104.

integrate and refine the planning process to a global level.

On the national level, Myrdal points out that in industrialized countries, welfare provisions, however hard-fought they may have been in their initial passage through parliament, and however narrowly they may have been voted through, are seldom if ever rescinded or even neglected, even by subsequent governments. The only large negative factor is that, because it is easier to induce the public to spend more, than it is to induce it to pay more, the welfare state has a tendency toward inflation not shared by centrally-planned non-democratic socialist states such as the Soviet Union. One favorable factor generating momentum for the newly-introduced legislation is time--the next generation of citizens will have grown up with the provisions of the reform as part of their environment, and cannot be expected to relinquish them voluntarily.

And, says Myrdal, so it should be with the international economic and political system. The rewards of such a system are great, and, though the political institutions for a "welfare world" are lacking--and are likely to be for a long time--the economic and social institutions under the aegis of the United Nations and other organizations are making a start at coordinating international aid and the empirical studies prerequisite to a closer political union.

On balance, however, the negative cumulative effects are seen as dominant, as elaborated in An International Economy. The biggest negative

force without redeeming features is, Myrdal says, the opportunistic ploys of politicians, particularly but not solely in the more developed nations, and the responses to lobbying by special interest groups that prey on nationalist consciousness to effect legislation not in the long-term public interest, but to the benefit of special interests at the expense of "foreigners". The only antidote recommended is education.

Though little new is presented in this volume, Myrdal strengthens his arguments in support of "planning". And, unlike his earlier two books on this general theme, he includes a discussion of planning in the Soviet Union, to highlight both the effectiveness of the Soviet system in achieving national integration (and, if the argument is pressed, international integration through the Warsaw Pact) at the expense of a democratic bargaining process.⁴²

Myrdal explores deeper in the region of convenient ignorance. He contends that most citizens of wealthy nations are unaware of the "economic colonialism" being perpetrated by their governments and large corporations. But he says this is only partly a result of convenient ignorance; in part, it is the result of the provincial and parochial attitudes that stand in the way of international integration generally.⁴³

⁴² Beyond the Welfare State, pp. 108-111.

⁴³ Ibid, pp. 218-220.

4. The Welfare State in America

So strongly did Myrdal feel that the leadership of the United States is crucial to the forward movement of international integration that he discussed the role played by that nation at some length in An International Economy.⁴⁴ The importance of the United States in the shaping of the cumulative process toward or away from international integration, through its leadership among industrial nations, led him to write Challenge to Affluence, published in 1963. In this book he urges that the United States continue to move strongly to further international institutions and the provision of foreign aid, but he recognizes that other nations must take over increasing amounts of responsibility in that area.⁴⁵

The development of the welfare state has not evolved as quickly in the United States as elsewhere and Myrdal is concerned about this anomaly. He diagnoses that the cumulative trend has not been as strongly directed toward development within the United States because growth has taken place without this unifying device. The result which Myrdal finds disturbing, both for its domestic and international implications, is the uneven pace of economic development in the United States.

⁴⁴An International Economy, especially pp. 326-331.

⁴⁵The fact that much of this was Marshall Plan aid earmarked for Western Europe does not go unnoticed, however.

For several years the sluggish and jerky development of the American economy has given reason for anxiety. A continuation of the present trend would increasingly frustrate the foreign policy of the United States...I am inclined to feel that the most important problem in the world today is how to move the American economy out of the automatism of relative economic stagnation.⁴⁶

The tradition of individualism in the United States has resulted in a stultifying of government roles in the economy. This has resulted in a wceful lack of government long-range planning, and in the lack of a balanced institutional infrastructure. At the bottom, the problem is seen to be the relative lack of participation by Americans in the democratic process.

A basic cause of, or at least a common element in, all this (the relatively small role of government within the economy and the lack of democratic principles in the functioning of institutional infrastructures) is that the citizens' participation in public life, taken in its broadest terms, is lower in America than generally in countries that are most similar to it in basic values. This is true at elections but still more in the intervals between elections.⁴⁷

The results of this tendency within the United States may be to hamper still further the achievement of Myrdal's welfare world. If the American economy continues to weaken, Myrdal says, electoral and national frustration could result in a policy of further retrenchment, negating whatever trends toward internationalism remain from the early postwar era.

⁴⁶ Challenge to Affluence, Preface, p. v.

⁴⁷ Ibid., p. 98

American frustration at policy setbacks can result in irrational policy decisions, even though American leadership may be reluctant to pursue such policies. Examples of irrational policy as a result of setbacks stemming from weakness include the non-recognition of China and the embargo of Soviet Bloc exports at the time of the Berlin Blockade. The increasing militarism of the United States is a further sign of weakness. And, following what Myrdal terms an overgenerous Marshall Plan policy and the leading role Americans played in NATO and in aid-giving, the U.S. now receives little sympathy for its economic troubles; this, too, reinforces U.S. rigidity.

The United States has the potential to solve these problems and to provide strong world leadership, Myrdal says, but, at present, the cumulative trend is away from the American advantage of world leadership. Only by allowing the government a larger role, by increasing participation of citizens, and by taking a broader, longer-range perspective on basic issues can this happen.

The purpose of this analysis appears to be the explanation of anomalies within the American system relative to Myrdal's theories of government, and to place the American situation in the context of world events and of Myrdal's hoped-for but unrealized trend toward a welfare world.

5. Some Problems

The works discussed in this section exhibited most of the characteristics

of Myrdal's style and the elements of his approach. The very subject matter is a manifestation of a universal outlook. The theoretical framework, as always, is by nature dynamic. The criticisms of classical theories resulting from his conclusions provide strong evidence that Myrdal's iconoclastic streak had not died. Yet, he was able to express hopefulness and optimism, at least in the long run, that his goals and ideals for humanity would be achieved. As always, terminology was crucial, and was, therefore, explained with care. The epistemological principles of convenience of knowledge and ignorance, and of a "higher" and "lower" set of valuations, remained. Nevertheless, something important was missing.

The missing element was the derivation of valuations, and the concomitant objectivity. However perceptive Myrdal's insights and skeptical comments may have been, however persuasive his arguments, the inescapable fact is that the value premises, though desirable from the perspective of a western scholar and perhaps many others of similar learnings, were imputed rather than derived. Inescapably, this had an important effect on the moral imperative as Myrdal perceived it.

The moral imperative suffers from a further complication. Because the main argument concerns the actions of governments rather than of individuals, the moral dilemma to which Myrdal addresses himself in An International Economy is not as clear-cut as it was in, for example, An American Dilemma, where the issue was quickly reduced to individuals

committing injustices against other individuals. Here, instead, the action centre is the arena of international politics, where the activity is a step removed from the individuals making moral decisions, and where instead the decisions are made by institutions, specifically by large, impersonal nation states. Moreover, there is no clear demarcation between the policy recommendations urged on the nations, and the plan of action to be followed by their citizens. And, because Myrdal's conclusion, based on empirical studies, is that the trend is away from the desired goal of international economic integration, there is an added difficulty in conveying a persuasive argument. Credibility suffers when Myrdal is obliged to justify an imputed valuation, and when the gap between what is actually happening and what Myrdal strongly believes must happen in order to avoid serious long-run consequences, must be filled with a statement of faith in the destiny of man.

A strength of the study is Myrdal's concept of the integrated national state, based on the empirically observed concepts of national planning and its growing importance in rapidly-growing industrialized countries. Myrdal applies insight and imagination to develop his vision of a "welfare world" in which all benefit. But even here the analogy is not without serious flaw. Myrdal feels impelled to qualify his "welfare world" to exclude the Soviet Union and the nations under its hegemony. Though Myrdal states clearly and repeatedly that he regards the question of "planned economies" as a

sterile controversy based on faulty premises and ignorance, he nevertheless recognizes the political reality of the "East-West conflict", and interprets the Cold War as a confrontation between an authoritarian, repressive regime and the forces for Democracy, a valuation strongly espoused in the work.⁴⁸ But nowhere does he show the source of the "Democracy" valuation, or for that matter, the source of the "integration" valuation.

In fact, Myrdal evinces some defensiveness in discussing his choice of valuations. In the preface, he says,

I take lightly the criticism that my approach is that of a philosophical idealist; I consider it realistic to seek to account in a methodologically satisfactory fashion for all the facts. People's strivings are, indeed, among the most important social facts and they largely determine the course of history... At bottom international economic integration is, like all other economic and social issues, a moral problem.⁴⁹

His defensive comment about international economic integration seeming like a "far-fetched ideal" has been quoted above in another context.⁵⁰ The inclusion of a five-page appendix appears aimed at justifying the choice of valuations. Here in fact he is answering critics who might contend that most

⁴⁸ It must be kept in mind here, in all fairness, that the era within which Myrdal was writing this was the end of the Stalinist period, an epoch characterized by brutality and repressive authoritarianism from which the country still has not completely recovered, a period which was-- and is--widely misunderstood.

⁴⁹ An International Economy, p. x.

⁵⁰ In Section 1, above.

people do not in fact subscribe to the value premises if for no other reason than ignorance of its existence.

A value premise should not be chosen arbitrarily: it must be relevant and significant in relation to the society in which we live. It can, therefore, only be ascertained by an examination of what people actually desire. People's desires are to some extent regularly founded on erroneous beliefs about facts and casual relations. To that extent a corrected value premise--corresponding to what people would desire if their knowledge about the world around them were more perfect--can be construed and has relevance.⁵¹

This sounds more like Myrdal the legalist than Myrdal the champion of democracy. However, in the final chapter of An International Economy, in the summation, Myrdal goes to even greater lengths to emphasize the fundamental importance of the decision-making of the individual, even in the determination of international events.

In the Greek tragedy the fateful conflict that in the last act brings defeat and death to the hero raged in his own breast... The real tragedy in human affairs is that people, who have the propensities for good, do wrong, and thus cause misfortune to each other and to themselves.⁵²

In seeming contradiction to the quotation from the appendix, Myrdal emphasizes the critical importance of the decision-making of the individual. He continues:

⁵¹ An International Economy, appendix, p. 336.

⁵² Ibid, pp. 300-301.

As man is good and has the power of reason, he can attempt to dispel the clouds of his emotions, overcome the opportunism of his ignorance, reach a fuller and more dispassionate knowledge about himself and the world and, indeed, change his attitudes so that they become more rationally related to the existing facts and to his deepest valuations, his ideals.⁵³

These are noble thoughts and worthwhile convictions, but they are not derived from a rational appraisal of existing valuations; on the contrary, they are designed to bridge the gap between a dismal prognosis and its unhappy implications. In fact, these statements smuggle in a strongly-held personal value. The argument that people would, with the proper education, subscribe to a particular value premise eschews the problem of the fine line between education and propaganda. It simply is not convincing.

The arguments discussed in this section are based on Myrdal's personal valuations, it must be concluded. But, like The Political Element, which retained much of its value despite changes in the viewpoint of its author, the writings of the 1950's are not without merit. They serve to highlight, from the vantage point of a concerned western scholar's value premises, the growing disequilibrium in material wealth between the underdeveloped regions and the industrialized nations. And they set the stage for a remarkable study in which the valuations are again based on an exploration of the aspirations of the subject group.

⁵³ Ibid, p. 301.

B. A Culmination

Myrdal's massive study of economic and social conditions in South Asia is in a sense the culmination of a lifetime of experience and reflection. Whereas in the works discussed in Section A, Myrdal focused on the ideal of a better-integrated world and the obstacles to that goal, in Asian Drama he addresses himself to the problems the underdeveloped nations must face when attempting to raise their level of prosperity. So accustomed is Myrdal to taking the broadest possible approach that he directs his attention to an entire region rather than a single country. And, whereas in the studies on the theme of a "welfare world" Myrdal encountered difficulties in justifying his choice of value premises, in the South Asia study, as in An American Dilemma, the choice is dictated by the realistic assessment of both aspirations of the populace and of the available alternatives. The framework within which the agonizing process of achieving the modernization ideals is to take place is once again that of cumulative causation, but the dominant theory that has determined many beliefs about growth of underdeveloped regions, the Harrod-Domar growth model and its refinements, are explicitly and emphatically refuted. And, though one important conclusion is that the poorer countries will have to rely most heavily on themselves to achieve the modernization ideals, Myrdal nevertheless perceives a powerful moral imperative operating in the wealthy nations to provide more and better quality aid to all poor countries, whether the

immediate goals are to continue a desirable trend or to combat starvation.

Despite the many somber conclusions he is forced to reach, Myrdal is able in the long run to maintain his optimistic outlook.

Two years after Asian Drama was published, Myrdal published a companion volume, The Challenge of World Poverty. The latter work is a separate volume in its own right, and it broadens the purview of the conclusions to embrace all of the underdeveloped regions of the world.⁵⁴

⁵⁴The Challenge of World Poverty, Preface, p. x. On the following page, Myrdal adds, "I will restrict my analysis in this book, however, to the non-Communist world. This may be deemed a not entirely well-motivated decision... The main reason for excluding the Communist world from consideration in this book is, however, the practical one of limiting the study within a manageable scope". This line of reasoning is not entirely convincing, although it is true that a great number of practical problems would arise from an attempt to integrate the socialist underdeveloped countries into the discussion. It must be kept in mind, however, that Myrdal also admits, in another work, "The writer may be permitted the observation that few things in the outcome of this study have been more disturbing to him, in view of his own personal valuations, than the conclusion that political democracy is not a necessary element in the modernization ideals". See Asian Drama, p. 65. Moreover, the fact remains, China and Cuba have attained far more success in coping with the problems of underdevelopment than have almost any of the countries Myrdal has included within his purview. This is palpably true by standards of GNP and other more orthodox indicators; it is to a far greater extent true by the yardsticks Myrdal prefers to apply. It seems anomalous in any situation--including this one--to conduct an empirical study with the purpose of solving a particular problem, while deliberately leaving off the agenda two of the specimens that have been the most successful in coping with these challenges. Such an omission might have been excusable in the late 1950's when the limits of the South Asia study were being determined; by the time the sequel was begun in the late 1960's this situation was no longer in effect.

But it systematizes the policy conclusions of Asian Drama, and so may legitimately be included for practical reasons in the discussion of the larger study. Indeed, in his Preface, Myrdal himself refers to it as "the missing eighth part of the earlier book".

The value premises chosen for the study are what Myrdal terms "the modernization ideals". As stated above, these value premises are derived empirically from the study and so attain an air of legitimacy never enjoyed by those of the works of the 1950's. They meet the criterion of relevance, Myrdal says, in that they reflect the valuations of people concerned with poverty in South Asia. In other words, the perspective taken is that of the citizens of the country under investigation, keeping in mind that it is not feasible to return to conditions that existed in the pre-colonial period.

In the present study we have attempted to look at the problems in the countries of South Asia as they appear from the point of view of the interests and ideals, norms and goals, that are relevant and significant in these countries themselves. The interests of foreign countries are left out of consideration entirely, so far as the value premises are concerned.⁵⁵

⁵⁵ Asian Drama, p. 51. Chapter 2 is an elaboration of "The Value Premises Chosen", pp. 49-69. In the chapter following, Myrdal actually does discuss some of the "traditional" values widely held in South Asia. Some are based on folklore and misinformation; others are simply unattainable: it is not possible to turn back the clock. The method of arriving at a set of valuations is not greatly different from that applied in An American Dilemma, though a code of valuations was not so ready-made.

Such an approach does not rule out the possibility of a study carried out from the perspective of other nations;⁵⁶ rather it would force such a study to state its goals for what they are rather than to introduce ambiguity by implying that the value premises of some outside region are universal in nature, as did the British in the 19th century.⁵⁷

Though plainly there is room for discussion as to what constitutes the modernization ideals, and on the nuances of meaning within the categories chosen, the value premises Myrdal enumerates are catholic enough to embrace the most important elements of most conceptualizations of modernization. Still, because many of the terms are value-laden and therefore inherently vague, there remains scope for disagreement over the order of priority and the precise meanings of the premises chosen. But there are other difficulties:

They (the ideals) overlap in part and are generally interrelated, for two reasons: first, all conditions in a social system are causally interrelated, and, second, since all the more specific value premises should satisfy the first premise of rationality, they have to form a logically coherent system. As they all have an independent value and not only an instrumental one, the modernization ideals, though usually mutually supporting, occasionally conflict with each other. The system can be worked out, verified, and specified by analysis; but,

⁵⁶ Asian Drama, p. 50.

⁵⁷ See Subsection 2, Section A, above.

except for the primary quest for rationality, these ideals are all somewhat indeterminate and vague. This fact should not be concealed by any conceptual tricks. It does not, however, seriously decrease their usefulness as value premises for scientific study of the problems. Generally speaking, their fuller realization is remote. In using the modernization ideals as value premises in our study we are simply assuming the desirability of bringing society closer to these ideals and the undesirability of a lapse backward.⁵⁸

The value premises chosen for the study are: a rational approach to issues (as opposed to one based on superstitious beliefs or illogical reasoning); development and planning for development; a rise in productivity; higher levels of living; social and economic equalization; improved institutions and attitudes; national consolidation; national independence; political democracy, both at the government level and at the grass roots level; social discipline; and finally, as a catch-all category, the derived value premises emerging from the pursuit of the goals just enumerated.⁵⁹

The familiar theoretical framework, this time labelled "circular causation with cumulative effects", is again employed throughout Asian Drama. But, added to this theory of dynamics is a teleological theory of development, the most important feature of which is the hierarchy of causation.⁶⁰ The

⁵⁸ Ibid , p. 71.

⁵⁹ Ibid , pp. 57-69

⁶⁰ This concept will be discussed presently.

circular causation theory is basically unchanged from its earlier appearance in Economic Theory, but it is elaborated here in much more detail to explain, among other things, the institutional approach to problem-solving.

In its broadest sense, the cumulative causation framework is used to depict the factors contributing to the worsening of economic conditions in South Asia. But it is also invoked to aid in illustrating specific examples of how the numerous smaller factors combine and reinforce one another in exacerbating the situation. For example, the historical background described in Part Two provides an interpretation of how the cumulative process now working to hamper attempts to achieve the modernization ideals have evolved.⁶¹ The description of how the intricate social and institutional interrelationships combine with a misunderstanding of the facts and of linkages to contribute to the present-day economic situation is also framed in a "circular causation" formulation.⁶² The discussion of labor utilization in Part Five calls for a dynamic, cumulative framework in explaining "unemployment" and related concepts in the region.⁶³ The framework re-appears in the long and detailed examination of agriculture policy.⁶⁴

⁶¹ Asian Drama, Chapters 4-9, vol. i.

⁶² Ibid., Chapters 10-14, vol. i.

⁶³ Ibid., Chapter 21, vol. ii.

⁶⁴ Ibid., Chapter 26, vol. ii.

Section Seven, which focuses on the positive potential--and the limitations of the present situation--in the fields of health and education, is also presented in the terminology of the cumulative causation system.⁶⁵

Finally, in the appendices, the discussion of the specifics of breaking the present pattern and reversing it, the putting forward of the "big push" argument, is couched in terms of attempting to control simultaneously as many single though interrelated factors within the cumulative process as possible, in order to reverse the direction of the entire process.⁶⁶

The "hierarchy of causation" teleology is developed for the first time in Appendix 2. The basic idea is that there are six broad categories that are causally interrelated--that is, a change in one will cause changes in the others.

The six conditions are output and incomes; conditions of production; levels of living; attitudes toward life and work; institutions; and policies. By viewing these conditions from the perspective of the modernization ideals, one is provided with a sense of what constitutes favorable or unfavorable changes. Broadly, the first three categories are usually seen as the

⁶⁵ Ibid , Chapters 29-33, vol. iii.

⁶⁶ Ibid , vol. iii, pp. 1897-1900, Appendix 2. The "big push" thesis is thus not greatly different from the concept Myrdal had of improving the state of equality for the Negro in the 1940's: "It can be generally stated, however, that it is likely that a rational policy will never work by changing only one factor". See An American Dilemma, p. 77, and Chapter IV, above.

"economic factors", the fourth and fifth as the "non-economic factors", and the sixth as a sort of hybrid, with its color depending on whether a specific policy impinges more heavily on the "economic" or "non-economic" sphere. Changes in conditions may be exogenous, such as lower production due to unfavorable monsoons or, conversely, higher production and incomes following a favorable combination of external elements. Or, they may be endogenous, as when the functions of institutions change or when governments implement new policies which either accidentally or by design induce favorable or unfavorable change.

One serious problem, Myrdal says, is that most of the analysis is conducted on the basis of incorrect assumptions:

Many economic models and the major part of the work on planning for development in South Asia are based on certain assumptions usually left implicit, or abstract and unclear. The three main ones are:

- (a) That analysis can be safely concentrated on the interaction of the conditions in categories 1-3 (the "economic factors") and on those policies in 6 (the policies) that are directed at inducing changes in conditions 1-3. Frequently even category 3 (levels of living) is left out of account.
- (b) That the chain of causation between the conditions considered is not impeded by attitudes and institutions.
- (c) That the conditions under 4 and 5 (attitudes and institutions) are highly responsive to changes in 1-3 or even 1 and 2.⁶⁷

In fact, Myrdal would argue, the exact opposite is closer to the truth: from the point of view of inducing favorable change, policy is the key variable. Moreover, the most effective policies are often those aimed at

⁶⁷ Asian Drama, vol. iii, pp. 1863-1864.

altering attitudes and institutions, since these are the most difficult to change.

In reality the attitudes and institutions are, as we shall point out, stubborn and not easily changed, least of all indirectly. Little reliance can be placed on the indirect effects of changes in categories 1-3 and still less in only 1 and 2. Attitudes and institutions represent heavy elements of social inertia that hamper and slow down the circular causation within the social system among the conditions in these categories. This, expressed in the most abstract terms, is the general reason for adopting what is customarily called and "institutional approach", which focuses the study of underdevelopment on development on attitudinal and institutional problems. For the practice of planning, this implies the need for policies aimed at changing conditions under 4 and 5 directly and the futility of relying on the indirect effects of changes induced by conditions 1-3, or only 1 and 2.⁶⁸

For example, under the existing landowning system in most underdeveloped countries, there is little incentive for tenants or smallholders to innovate for increased production: the benefits would accrue principally to the landlords or moneylenders. Similarly, as long as large families are a source of pride and a sense of accomplishment, there will be little that can be done to curb effectively rapid population increases. In each of these cases, attitudes and institutions affect in a fundamental way the output, conditions of production and levels of living of a community. In fact, most of the book's three volumes is a catalog of obstacles to improved economic conditions stemming from institutional or attitudinal conditions. In

⁶⁸Ibid.

introducing the argument, Myrdal states:

Not only is the social and institutional structure different from the one that has evolved in Western countries, but, more important, the problem of development in South Asia is one calling for induced changes in that social and institutional structure, as it hinders economic development and as it does not change spontaneously, or, to any very large extent, in response to policies restricted to the 'economic' sphere... So our approach is broadly 'institutional', and we plead for greatly intensified research efforts along these lines.⁶⁹

In a world where the industrialized nations' economies continue to grow, the stagnant or retrogressive economies of the less developed regions will, by default, contribute to the growing economic disequilibrium tendency now in motion. Change is what is needed if this trend is to be reversed. After all, 'the movement of the whole social system upwards is what all of us in fact mean by development. There is no escape from this, if we want to be 'realistic' ".⁷⁰

It should not be surprising, then, that Asian Drama is extremely policy-oriented. The surprise is that the volume coordinating the policy recommendations had to wait two more years. In fact, Myrdal states in the preface to The Challenge of World Poverty that the primary stimulus to its publication was the opportunistic interpretation of the message

⁶⁹ Ibid, vol. i, p. 26.

⁷⁰ Ibid, vol. iii, p. 1868.

contained in Asian Drama: "I am thus fully aware that Asian Drama was often mistaken as rendering arguments for not bothering to try to aid the underdeveloped countries in their development efforts, which pleased the conservatives and still more the reactionaries in Western countries".⁷¹ No such doubts remain in the newer volume. Though a large segment of The Challenge of World Poverty is occupied by Part Two, "The Need for Radical Reforms in Underdeveloped Countries", a large section is also devoted to Part Three, "The Responsibility of the Developed Countries". Even the wording points toward a responsibility, a moral imperative.

By far most important are the needed reform policies in the underdeveloped countries themselves. But the difficulties they encounter are so great that most of them will have slight chances to succeed without more aid from the developed countries.⁷²

And so it is in The Challenge of World Poverty that Myrdal states most explicitly the moral imperative which he perceives as falling to the wealthy nations of the world. Though the main thrust of Myrdal's arguments relates to the policy formation of rich and poor nations' governments, he nevertheless states his conviction that people's moral values are in fact an important ingredient in the development matrix.

It is my firm conviction, founded upon study and reflection, that only

⁷¹ The Challenge of World Poverty, Preface, pp. ix-x.

⁷² Ibid, p. 45.

by appealing to peoples' moral feelings will it be possible to create the popular basis for increasing aid to underdeveloped countries as substantially as is needed.⁷³

Myrdal adds emphatically:

I am not saying this as a moralist. It is certainly true that it agrees with my personal valuations as well as with my quest for honesty and clarity as a student of economic issues. But quite apart from that, I want the statement to be considered as an assertion by a social scientist about facts and factual relations as they are revealed by study of economic policies in our contemporary world... This is, as I see it, one important lesson that we can learn from our experiences after the (Second World) war. When politicians and experts become so timid about giving due importance to moral motivations in this and many other fields, true realism is absent... Frankly, I believe it is unrealistic and self-defeating to distrust the moral forces in a nation.⁷⁴

Throughout the text of Asian Drama itself, the issue of morals is nowhere broached so directly. Nevertheless, it pervades the entire argument. The act of adopting the modernization ideals by the underdeveloped countries, and, in the wealthier countries, of making public commitments to assist in the achievement of these ideals, establishes a set of moral norms at the national level which can be easily endorsed by individuals. The shortfalls lie not with the moral imperative, but rather with the "lower" compartment of our valuations, the opportunistic interpretations of facts, with insincerity and hypocrisy, with propagandizing deceit in both rich nations and poor.

⁷³ Ibid, p. 368.

⁷⁴ Ibid, pp. 368-369.

The Prologue to Asian Drama, "The Beam in Our Eyes",⁷⁵

analyzes the various ways that bias has crept into the way of thinking of professional observers and Western scholars. Propaganda stemming from the Cold War, the innocent desire to be "diplomatic" in balancing unpleasant conclusions with more palatable prognostications; the transfer to underdeveloped regions such as South Asia of concepts which, whatever their validity in the advanced countries, are clearly inapplicable in alien institutional milieu; and attitudes of moral superiority on the part of the rich, all serve to hamper economic progress.

Other practices include the opportunistic ignorance of the officials of many Western governments of the tremendous benefits that could accrue to underdeveloped countries as a result of trade concessions; the propagandistic overtones of foreign aid, whereby "tied" loans of limited usefulness to recipient countries and other loan commitments are freely confused with outright gifts and concessions or military aid designed to benefit the donor; and corrupt practices in the less developed countries which encourage the survival of the "soft" or corruption-prone, state.⁷⁶

Since all of these practices have obvious moral connotations, and

⁷⁵ Ibid, pp. 5-35.

⁷⁶ These aspects are best summed up in Section Three of The Challenge of World Poverty, pp. 275-385.

since the effects of these practices are constantly pointed out throughout Asian Drama, the moral aspect of economic development may be seen to be a ubiquitous characteristic of the work.

So far, Myrdal's positive statements and theoretical contributions have received primary emphasis. But some of the most important aspects of the work are the result of Myrdal's skepticism, his iconoclasm and his argumentative frame of mind.

The first major criticism is of the available data.

Wherever I turned, I found that any statistics available had to be scrutinized most severely before being used; at best they were highly uncertain and not as specific as the analyst would desire. Most of the general figures so confidently quoted in the literature, such as those pertaining to trends in income, population, literacy, and school enrolment, prove to be no more than extremely crude guesses, often palpably wrong... When, instead, I made my own more specific estimates on the basis of meager statistics--as, for instance, in regard for schooling--they were of necessity extremely tentative, often having as their main purpose to indicate more clearly the sort of data that should be produced by further research.⁷⁷

Because there never was any intention of generating data from primary research during the course of the study, the shortcomings of data have resulted in many cases in more generalized recommendations. In many cases the result was a compendium of questions that must be answered in order to understand better the causes of poverty in the region.

The conclusions reached and the supportive reasoning are thus highly

⁷⁷ Asian Drama, Preface, p. xi.

conjectural, as we shall often have occasion to remind the reader. It remains a worthwhile scientific task to state clearly what is not known but should be known in order to understand what is happening. Indeed, one of the main purposes of the book is to indicate gaps in knowledge and to spell out at some length a system of rational hypotheses for further research; and this can only be done by conjectural reasoning.⁷⁸

But, during the course of his research, Myrdal was to bring to light a more serious deficiency.

As I worked on I became increasingly aware that many of the concepts and theories commonly used in analyzing the problems of the underdeveloped countries in South Asia broke down when criticized from the point of view of their logical consistency and their realism, that is, their adequacy to reality. To work my way through what I gradually came to view as severely biased preconceptions--many of which I had shared with most of my fellow economists--was again a slow and painful process... I would like to emphasize that I am deeply conscious of the fact that I have myself shared many of the ways of thought that I criticize in this book.⁷⁹

This insight is what sets the work apart from others in the field--including Myrdal's earlier works. It is what enables Myrdal to pinpoint shortfalls in other theory and to utilize his institutional approach despite imprecise conclusions.

That the coefficients for interrelations between different changes in the circular causation of a cumulative process are not well known is no defense for substituting a model in simply economic terms--mostly reduced to financial and, indeed, fiscal magnitudes. This is so

⁷⁸ Ibid, p. 44.

⁷⁹ Ibid , p. xii.

particularly since the attitudes, institutions, and levels of living in underdeveloped countries are of so very much greater importance for development than they are in developed countries.⁸⁰

In Appendix 3, Myrdal provides a detailed analysis of the general statement made periodically in the study regarding the relevance of Western economic models.

Another thought basic to the separation of "economic" from "non-economic" factors is the assumption--largely correct for Western countries--that people's attitudes and their social institutions are standardized and are therefore either adapted or adaptable to economic progress. Abstracting from them is therefore legitimate for many problems in the West. The same assumption cannot, however, be made about attitudes and institutions in South Asia. Western theories provide a convenient escape from the fact that attempts to change attitudes and institutions in that part of the world ordinarily meet with strong opposition from vested interests and with other obstacles and inhibitions.⁸¹

It is important to be aware that the stringent qualifications about and objections to the application of Western models in South Asia do not constitute a broadside against model-building. The argument is merely that models applicable in a South Asian setting must be constructed with more care, and often must be more complex, than in the West, because many factors--often institutional or attitudinal--which can be safely regarded as independent

⁸⁰ The Challenge of World Poverty, p. 24.

⁸¹ Asian Drama, vol. iii, p. 1942. In a footnote in the Prologue--page 16--Myrdal is more cautious: "Throughout this book I am making the generous assumption that the Western approach is fairly adequate to Western conditions. This may be a overstatement."

variables in a Western context become highly dependent in a South Asia setting.

Models are essential aids to clear thinking. Indeed, all thinking in terms of systematic functional relationships between variables is model-building and model-using. Anyone attempting to trace and compare the effects of various policies in underdeveloped countries is using some model, though he may be as unaware of it as Monsieur Jourdain was that for more than forty years he had been speaking prose.⁸²

The real danger in applying Western models in South Asia, says Myrdal, is that they facilitate the development of an analysis more in line with the biases of the researcher than with reality. The researcher may be better off with no model at all than with one that is so misleading--"... a bad guide is not necessarily better than none: bad guides not only mislead but also give false confidence".⁸³

The broadside--and here the metaphor is fully appropriate--is reserved specifically for models which use the capital/output ratio as a central feature, in a South Asian setting. The real culprits are seen to be the Cobb-Douglas Production Function and, more frequently, aggregative models such as the Harrod-Domar and its descendents. The attack is two-dimensional, transcendental and immanent. First Myrdal challenges the notion that the capital/output models are relevant to planning in the

⁸² Ibid., vol. iii, p. 1962.

⁸³ Ibid.

region. He contends that they meet none of the fundamental criteria of relevance to the problem at hand, logical consistency, adequacy to reality or correspondence to observable facts.

Thus our objection to the use of certain economic models is not that they abstract...but that they abstract illegitimately; not that they separate, but that they separate inseparables; not that they aggregate, but that their aggregation destroys crucial divisions. The objection is that they assume as independent what is dependent and as given what has to be created; and that they are applied directly to country-wide planning in the underdeveloped countries of Asia without proper allowance for the forces excluded from the model.⁸⁴

But this is not sufficient. The transcendental criticism complete, Myrdal embarks on an immanent criticism. "We therefore assume that attitudes, institutions, and policies are constant, that changes in levels of living have no effect on output, and that secondary dynamic effects on other investments can be ignored."⁸⁵

The list of problems and inconsistencies located in the application of the immanent criticism is long. Perhaps the greatest shortcoming was the failure to arrive at firm definitions of the elements of the model. Myrdal distinguishes eleven separate genres of capital/output ratio in order to highlight the problems inherent in simple aggregation. Then he turns to the

⁸⁴ Ibid, p. 1966. On pages 1965-1966 is a more comprehensive breakdown of the minimum requirements which Myrdal says models must meet if they are to be usable.

⁸⁵ Ibid, p. 1969.

problems encountered in measuring "capital" and "output". The system breaks down at once because the aggregations involved cannot possibly reflect all of the combinations of ratios feasible within the system. The model features an aggregation, for example, of industries whose relative contributions to economic output are impossible to weight because of differences in individual ratios, life of capital stock, changes over time in quality and in technology. The time-span appropriate to the model is also difficult to determine. Moreover, the simplifying assumptions leave little to relate in the ratio. Myrdal observes, "The distinction between the two types of criticism is to some extent artificial. A distinction cannot always be clearly drawn between assumptions that are logically valid but unrealistic and assumptions that are logically faulty."⁸⁶

Other problems can develop when attempting to apply a capital/output model to the development of a budget. One is confusion between the development budget and the overall development plan. This confusion, Myrdal says, is often an outgrowth of thinking in terms of finance and of capital/output ratios.⁸⁷ Myrdal cautions that prices must be seen as

⁸⁶ Ibid, p. 1993. The appendix on models is found on pp. 1941-2004.

⁸⁷ Ibid, Appendix 4, "The Structure of the Plans," pp. 2005-2030.

current facts, and do not contain any inherent justice or "rightness", but rather are subject to the effects of government through controls on the industrial sector, such as licencing.⁸⁸

In addition to problems encountered with theoretical constructs, many concepts commonly used by Western economists in their own back yard are totally inappropriate to South Asia. These include terms such as "average income per capita"; "balanced growth", which Myrdal believes is inherently unattainable; and "optimum population".

One of the most serious conceptual difficulties lies with the terms "unemployment" and "underemployment". The difficulties are fundamental in nature: "While we shall focus our attention on the manner in which the 'modern' approach deals with the analysis of employment problems, this topic is but a species of a genus, namely aggregative model-building of the Western type".⁸⁹ The concept spawns a host of problems when trying to apply it to a South Asia setting. Myrdal contends that the term "unemployment" implies the existence of a labor market, and one that has developed standardized

⁸⁸ Ibid, Appendix 5, "A Note on 'Accounting' Prices and the Role of the Price Mechanism in Planning for Development", pp. 2031-2040.

⁸⁹ Ibid, pp. 962-963, vol. ii. Chapter 21 is devoted to a discussion of "Unemployment" and "Underemployment". The subject is further analyzed in Appendix 6, "A Critical Appraisal of the Concept and Theory of Underemployment", and Appendix 16, "A Critical Appraisal of Selected Studies on 'Unemployment' and 'Underemployment' ". But the most succinct summary of Myrdal's position is on pp. 13-15 of The Challenge of World Poverty.

units of labor. Within such a framework, a person not employed for a complete "work year", or one who is employed but contributes little or no productive activity for part of a year, can safely be considered "underemployed". If during a prolonged depression he remains unemployed for several years and ceases to seek work actively, he may be, as Joan Robinson initially termed it, part of a group comprising the nation's "disguised unemployment". Unemployment moreover is assumed to be involuntary in nature. The remedy is customarily diagnosed to be an increase in capital investment into the economy, the amount of which can be estimated with reasonable accuracy by means of applying various economic models which relate capital input to increases in aggregate output and employment.⁹⁰

In South Asia, Myrdal says, the majority of those not working fulfill few, if any, of the assumed criteria. The theory implied by the terminology therefore is not relevant or practical for applied research in the region. Worse, there is a tendency for Western observers to assume that those not

⁹⁰In a footnote, *Ibid*, p. 996, vol. ii, Myrdal notes that, in order to apply a qualitative aspect to the model, a theory was developed to enable economists to compute the productivity of education and so to develop a theory of "investment in man". The argument relating to this aspect will not be pursued here, but the nature of Myrdal's misgivings will already be evident from the overall discussion of the concept of "unemployment". See also Chapter 29, "Investment in Man", vol. iii

involuntarily unemployed simply have a preference for leisure over work.

But the lack of a fluid labor market (particularly in caste-ridden India but elsewhere as well); ill health, possibly as a result of nutritional deficiency; climatic conditions which make work impossible or difficult; unawareness of available opportunities; social and religious taboos acting to limit mobility further; and many other factors may be decisive in contributing toward idleness. Many of the aforementioned factors are amenable to change if appropriate policies are adopted.⁹¹ There is potential, he says, to increase the size of the work force, the duration of time the members of the work force are producing, and the efficiency of the work force in terms of output per man-hour if conscious efforts are directed toward this; however, using the Western approach, emphasis is restricted to increasing production through the first of these alternatives. Furthermore, he says, the fact that this potential exists belies the assumption that the marginal product of labor in underdeveloped economies is zero.⁹²

At bottom, the problem encountered is that the labor market is like virtually all other markets in underdeveloped countries--imperfect to the point where formal categorization and measurements are meaningless.

⁹¹Ibid , pp. 1014-1015, vol. ii.

⁹²Ibid , p. 2050, vol. iii. In footnote 3, Myrdal indicates a variety of sources which make this assumption explicitly; in any case, he says it is implicit in the model.

One further divergence between Myrdal and the ideas developed by other economists bears investigation: the issue of initial conditions. Myrdal discusses at length comparisons between South Asia's underdeveloped condition in the 1960's and the initial state of the now-developed countries. "Such comparisons", he says, "are valid and relevant inasmuch as the differences between the two groups of countries are, on the whole, much greater than the differences within the groups".⁹³ Myrdal continues, "The general conclusion we shall reach is that the differences in initial conditions are extremely significant and that they regularly work to the disadvantage of the underdeveloped countries of South Asia."⁹⁴

Making general comparisons in an inexact way is, Myrdal says, vastly different from an attempt to categorize a "stage of growth" theory, which he says presupposes a predetermined sequence of stages. And such a theory assumes that the primary difference is a time lag. But, he says, "The logical weakness in this theory is at once apparent when we try to determine more precisely the appropriate period of comparison".⁹⁵ In Myrdal's

⁹³ Ibid, p. 673, vol. i. Most of the comments on such comparisons are in Chapter 14, "Differences in Initial Conditions", pp. 673-705. Minor aspects surface in Chapter 15, vol. ii, on pp. 712-715, and in Chapter 16, on pp. 741-743 and 771-775. The same ground is covered more briefly in The Challenge of World Poverty, pp. 25-45.

⁹⁴ Ibid, pp. 673-674.

⁹⁵ Ibid, p. 675.

discussion, the time period of comparisons is left deliberately vague.

One key difference is that at their early stages of development the now-rich countries had no comparatively wealth competitors well established in the world. The implication is developed at once: "The fact that some countries without abundant natural resources have succeeded in creating a flourishing industry, mainly by importing raw materials--notably Switzerland, Denmark, and Japan--does not necessarily mean that South Asia could do the same."⁹⁶ The lack of natural resources--at least so far discovered--in South Asia must therefore stand as a limiting factor not previously circumscribing potential so severely.

Climate is also seen to be a vital ingredient. Virtually all of the western industrialized nations flourished in a temperate climate, free from the discomforts and more serious limitations of arid or tropical conditions.⁹⁷

Other factors Myrdal compares, to illustrate the special difficulties

⁹⁶ Ibid, p. 677.

⁹⁷ Myrdal discusses both sides of the climate issue, including the argument that earlier civilizations have in fact developed under tropical conditions, and that a "climatic" argument is a pretext that supports vaguely the racist arguments. But he concludes that generally speaking climatic conditions in balance contribute to underdevelopment, and that only with capital and intensive research can the limitations be neutralized or turned into advantages. See Ibid, pp. 677-681. A more detailed survey of the problems encountered because of the South Asian climate is included in Appendix 10, "Climate and Its Economic Consequences in South Asia", Vol. iii, pp. 2121-2138.

poor countries of today must operate under, include population, both in terms of density and growth rates; the relative advantages accruing to young dynamic economies with respect to trade and capital movements; and the level of living experienced by the very poor and its effects on their attitudes and institutions.

Cited as an advantage enjoyed by today's poor countries is the level of available technology. But even this is not a pure advantage, since modern technology requires large capital outlays, and must often be adapted to special conditions. Despite these problems, however, Myrdal concludes that "the availability of a more efficient technology is clearly an advantage."⁹⁸

But the movement of Western technology toward still higher levels may reverse this advantage. The move toward synthetic products and away from the raw natural products is decreasing the market for South Asia's products. And the acceleration of technological advance is acting to make ever more costly the transition to an industrialized economy.

The information lacunae and the theoretical inadequacies Myrdal discusses are given plausible explanations: until recently, there has been little motivation to ask the relevant questions. Developments since the end of the Second World War--the end of the colonial era, the desire

⁹⁸ Ibid., p. 692.

⁹⁹ See the references cited to initial conditions in fn 93, above.

manifested in the newly-independent countries and, most important, the political rivalries stemming from the Cold War--have all stimulated an increasing interest in the economic fate of the poor countries.¹⁰⁰ Once interest in these countries was aroused, it seemed natural to apply the theoretical constructs that were already in existence. The result: the ready-made theoretical frameworks that were totally inappropriate led to misleading results. Nevertheless, researchers continued to accumulate data for the models. Worse, the leading scholars from the underdeveloped countries, trained in the thought patterns of the West, were committing the same errors!¹⁰¹

Finally, Myrdal finds unacceptable the idea that social reform has a retarding effect on economic progress, particularly if it is redistributive in nature.

The conclusion I have reached is that inequality and the trend toward rising inequality stand as a complex of inhibitions and obstacles to development, and that, consequently, there is an urgent need for reversing the trend and creating greater equality as a condition for speeding up development.¹⁰²

He adds:

¹⁰⁰The Challenge of World Poverty, pp. 4-7.

¹⁰¹Asian Drama, pp. 17-18.

¹⁰²The Challenge of World Poverty, p. 50.

Traditionally, Western economists for the most part assume, on the contrary, a conflict between economic growth and egalitarian reforms. They take it for granted that a price has to be paid for reforms and that often this price is prohibitive for poor countries... Very little empirical research has ever been devoted to proving this assumption.¹⁰³

Because of his institutional approach and its imprecise results, Myrdal was aware that one criticism that could be levelled at him was that of loose thinking. His response to such an idea:

Anyone who reads this book, especially the methodological appendices, will find that considerable effort is devoted to clarifying the concepts used. Indeed, a major general criticism launched against the conventional approach of economists is that they have generally been very careless in their reasoning. Paradoxically enough, loose thinking is most often found when they have pretended to be strict and rigorous in their reasoning, but have not scrutinized it as they should by submitting it to transcendental and immanent criticism.¹⁰⁴

The explanation for such an outburst is that Myrdal spent much time, first in the 1920's and again during the preparation of Asian Drama, reconciling this problem.

¹⁰³ Ibid.

¹⁰⁴ Asian Drama, p. 30. Myrdal continues in this vein: "Finally, the conventional economist, whose models we shall frequently have to criticize for loose thinking and unwarranted precision, should not conclude that the institutionalist is 'adverse to models'. Model-building is a universal method of scientific research, in the same way that quantifying knowledge is a necessary aim of research. As research proceeds, models can be made ever more useful tools in our work... But to construct such models in the air, out of uncritically conceived concepts that are inadequate to reality and usually not logically consistent, and so to pretend to knowledge when none has been established, does not represent scientific progress; it comes near to being an intellectual fraud."

Despite the vigorous attacks on the kind of scholarship that has often been applied to the problems of underdevelopment, Myrdal remains confident that the quality of research will improve.

In the longer perspective I see no reason for pessimism about the study of underdeveloped countries in South Asia. Inherent in all honest research is a self-correcting, purifying force that in the end will affirm itself.¹⁰⁵

There remains only to discuss the phenomenon of Myrdal's enduring optimism despite the dismal conclusions stemming from his investigations. This necessarily relates to Myrdal's long-run perspective, his non-deterministic views, and his faith in the benefits of social science research, as well as the intrinsic goodness of Man. Taking the long-run view, it is instructive that the concept of one nation helping another through "foreign aid" is comparatively new--since the Second World War. The existence of such a practice--both at the bilateral level and the multilateral level, which is seen to be superior--looms larger in Myrdal's opinion than do the imperfections of the mechanisms and the motives.

C. A Concluding Note

Since The Challenge of World Poverty appeared, Myrdal has published

¹⁰⁵ Ibid, p. 25. In The Challenge of World Poverty, p. 445, Myrdal says, "Up to a point, all honest research has a self-healing capacity. As Knut Wicksell once stated, the scientist is superior to his own chosen approaches. He cannot help finding truths which he has not looked for."

only two other books. Objectivity in Social Research, also published in 1970, is a short handbook which summarizes Myrdal's methodological conclusions accumulated over a lifetime of searching for the most objective way possible to conduct social science research. The other, Against the Stream, published in 1973, is a pot-pourri of recent articles and writings. Neither contains any major ideas that have not been discussed elsewhere.

The works of the 1950's provide a little-used approach to economics, that of considering the entire world as a single economic unit. This approach is combined with Myrdal's cumulative causation framework to provide a sketch of international trends. The ideal, an economically integrated world, is derived from his personal ideals, but is developed in consistent fashion so that the argument is cohesive, once the value premises are established. The moral imperative, based on an assumption of concern for one's fellow man, stems from a fundamentally positive view of universal human traits.

Asian Drama shifts the source of the value premises onto the inhabitants of South Asia, although to some extent they are imputed for reasons of internal consistency and to allow for an incomplete knowledge of the extent of realistic alternatives. The emphasis is on the institutions and the way they can be made to work toward the goals espoused in the study. To strengthen this argument Myrdal criticizes at length approaches that have long been dominant in the study of underdevelopment; however, as in the works examined

in Section A, the responsibility for catalyzing positive developments lies with the wealthy industrialized countries. But more emphasis is given to the responsibility of the poor nations themselves to initiate action to help themselves. Eventually he broadens the scope of his observations and theories to a worldwide scale.

CHAPTER VI

CONCLUSION

It is now nearly fifty years since Myrdal's first scholarly work was published. In the interim his development--like his later theories--appears as a cumulative process evolving from his Swedish School influences to his own distinctive approach and method, from relatively orthodox economies to interdisciplinary work, and from relatively local, though important, concerns to world-wide questions. There are many characteristics and elements in Myrdal's writings but three are of primary importance: the theory of disequilibrium, his treatment of opportunism of knowledge and ignorance, and the development of Myrdal's brand of "subjective objectivity".

In his early work Myrdal introduced the ex ante-ex post concept and theorized on the tendency toward disequilibrium in the economy. During the 1930's, in response to the depression, Myrdal studied not only the Swedish economy but the society in general, and concluded that the disequilibrium process could not realistically be confined to purely economic theory if it were to remain relevant. The result: a treatise on "social engineering" with emphasis on the family as an institution, rather than simply as an economic unit. The "engineering"--or planning--advocated in the study was to be in response to the tendency toward a growing inequality in income and level of living between the wealthiest and poorest sectors of

society if events were left to take their course under a policy of laissez-faire. Significantly, the planning was to extend to all aspects of society and not only to the economy. It was characteristic of Myrdal's work that the cumulative causation system he described should by its very nature be in disequilibrium, but that the proposed remedy should rely on planning and management of whatever variables in the system are amenable to control.

This disequilibrium analysis proved useful in examining the inequalities stemming from discrimination in the United States. The poverty of the Negroes and their inferior social status were mutually reinforcing, and could be seen as a static and permanent feature of society were it not for the effects of such institutions as the federal government and, more important, the American Creed with its egalitarian doctrines. Again, planning was a decisive factor, with social and economic policies cited as the controllable factors, the immediate causes of a movement toward a more equitable society.

Internationally, as interest in the less developed countries spread after the Second World War, an institutional system based on colonialism was linked to the classical free trade doctrine to effect a large and growing income gap between the inhabitants of the poorest regions in the world and the richest. Again, the framework is one where disequilibrium prevails in a world in which resources are distributed through a system of negotiations between strong nations and weak. Myrdal perceived that there clearly was urgent need for global institutions under whose aegis a 'welfare

world" could develop. His policy recommendations therefore were comprised of measures under which the wealthy nations could--and, in Myrdal's opinion, should--work toward such a world.

In the 1960's Myrdal fixed his attention on the specific nature of poverty in the underdeveloped regions and on ways of ameliorating the trend toward even greater disparities as a result of increasing disequilibrium in the world economy. He concluded that the most significant benefits would be derived from government planning directed at improving the institutional structures and the attitudes of the populace, rather than from policies aimed directly at improving the economic situation. Specifically, he criticized policies aimed at improving output as measured in industrialized countries, and contended that the conceptual framework in which these theories were developed is both inappropriate and misleading in a South Asia setting.

One of the most frequent criticisms Myrdal directs at economic theory involves opportunism, either in interpreting facts to arrive at theory, or in interpreting the theory itself. As early as 1929 Myrdal showed in The Political Element the relationship between modern economic theory and the 18th century doctrines of natural law. He demonstrated in that volume how, then as now, facts and theory alike have been interpreted in opportunistic fashion to evade the most unpalatable implications of the theory and to align the conclusions instead with the theorists' "conservative predilections". This human trait, the opportunism of knowledge and ignorance, forms a

second fundamental facet of Myrdal's writings. Myrdal believes it is the single greatest impediment to understanding the nature of the disequilibrium process.

Myrdal demonstrates the distortions of this opportunistic bent in human nature, first in the interpretation of empirical observations and the development of theory by the classics in the 18th, 19th and 20th centuries, but also in the understanding of human conduct. There is always, he observes, a feeling of moral superiority among the rich relative to the poor. This can be seen in the attitudes of the whites in America when examining the plight of the Negroes, and again when considering the industrialized countries and their people and comparing them to the underdeveloped regions. A body of theory in each of these cases, based on folklore or simply on faulty premises, bolsters the predilections held by the relatively well-off. A further parallel is worthy of note: though Myrdal does not mention it, there is an important racial element in the attitudes of wealthy, white citizens of industrialized countries when considering their poverty-stricken, dark-skinned counterparts in other regions. In fact, it is generally conveniently forgotten that there are poor whites in the American South, or that there are poor countries peopled by whites. The theory of opportunism gains in credibility when Myrdal shows that it was not restricted to mainstream of thought: Marx, too, suffered from this tendency, and it showed in his deterministic theory of history.

The third major contribution of Myrdal is his "subjective objectivity".

As a result of the ideas introduced in The Political Element, Myrdal was obliged to conclude that an objective approach to economics, or for that matter to the social sciences, is a logical impossibility. To deprive the study of an initial set of value premises, he reasoned, is to leave it without a perspective from which to conduct the study and arrive at rational conclusions. Without an initial perspective, it is reduced to being a catalog of empirical observations without direction of any kind. But the necessity of value premises does not, he emphasized, mean that the valuations adopted must be those of the researcher. These can be minimized, though not eliminated, by deriving the value premises from the study itself: inescapably influenced by the researcher's personal values, the choice of value premises is a key aspect of the study, and would have a decisive effect on the conclusions reached. For example, if Myrdal had in his study of American society adopted the value premises of individualism and "good old American ingenuity", his conclusions would undoubtedly have been vastly different.

An offshoot of the necessarily subjective approach is the undercurrent of moralism that shows up in the major works. If injustice can be seen to be occurring from the perspective of properly selected value premises, then surely the failure to take measures to lessen that injustice can only be interpreted as a shirking of responsibility. This attitude surfaces in An American Dilemma, as well as in the writings of the 1950's and 1960's.

But, complicating the matter further is the dichotomy of valuations characteristic of the human ethics: the pragmatic, survival-oriented "lower" valuations, and the idealistic, progressive "higher" valuations, from which the derived value premises are taken for Myrdal's works.¹ Because people normally refuse to admit, even to themselves, the apparently irrational and irreconcilable dichotomy of values, and because it is usually more convenient to resort to an opportunistic interpretation of facts, the conflict generally remains unrecognized. This provides Myrdal with a plausible explanation for the continued dominance of equilibrium theory in economics in the face of plentiful empirical evidence to the contrary: equilibrium theory is familiar, convenient and comfortable in that it generally leads to happier conclusions, at least for the world's upper echelons.

The other dominant features of Myrdal's writings--the iconoclastic tendencies, the breadth of his approach, the dynamism of his theoretical constructs, the high standards of semantic precision he sees as essential to honest intellectual endeavor, the logic, rational method of presentation--all contribute to strengthening the interdisciplinary, institutional theory of disequilibrium, the observations on opportunistic interpretations, and the development of a subjective approach.

¹ Though Myrdal's derived valuations consistently have been directed at the more idealistic family of value premises, there would be nothing methodologically inconsistent in adopting premises from the "lower" group.

Two further aspects of Myrdal's writings --his skepticism and his optimism--merit special mention because they depict most sharply the humanistic character of all of Myrdal's work. The former has enabled Myrdal to winnow out many theoretical conclusions based on murky metaphysical premises, because it places the burden of proof on the theorist, even for the often unstated underlying assumptions, and replaces them with statements about the human condition based on his observations of human foibles. The latter provided him with a realistic if often long-term basis for positive conclusions even when the results of his studies pointed toward a dismal prognosis, for Myrdal's optimism was based on an underlying faith in humanity. In concert, the characteristics and elements have combined to give the reader a glimpse of human answers to human problems.

Myrdal's work has dealt with problems of great complexity and intractability. He has analyzed their complexity and explained their intractability, yet he persists in his optimism. His optimism is not merely a posture, nor is it based on some deterministic philosophy which foresees some indefinite time in the future a world in which the problems of the world mysteriously evaporate. Instead, it is solidly based on the theoretical framework of cumulative causation, and envisages improved social and economic planning to ameliorate conditions in the causation matrix that lend themselves to external influence. Such planning would condition

development processes toward remedying the gross inequalities and creating better societies for all.

APPENDIX

THE AMERICAN CREED

In 1917, William Tyler Page, then clerk of the United States House of Representatives, won a national contest for the "best summary of American political faith." The city of Baltimore awarded him \$1,000 for his 100-word statement, which the House of Representatives accepted on April 3, 1918. The text follows:

"I believe in the United States of America as a Government of the people, by the people, for the people; whose just powers are derived from the consent of the governed; a democracy in a republic; a sovereign Nation of many sovereign States; a perfect union, one and inseparable; established upon those principles of freedom, equality, justice and humanity for which American patriots sacrificed their lives and fortunes.

I therefore believe it is my duty to my country to love it; to support its Constitution; to obey its laws; to respect its flag, and to defend it against all enemies."

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A. Works by Myrdal

B. Other Works

A. Works by Myrdal

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