

What Is Development?

By Gunnar Myrdal*

.....<Contents>.....

- I. Defining Development
- II. Production and Development
- III. Income and Wealth
- IV. In Underdeveloped Countries
- V. A Unified Approach

From the post-World War II period to date, books about the development problems of underdeveloped countries have contained introductory sections discussing what should be understood by underdeveloped, developing, or some other diplomatic euphemism and, more fundamentally, what the “development” of such a country should mean. Often it has been concluded that a fully satisfactory definition can’t be provided; we may have to settle for specifying one or several indicators of something which has to be left rather hazy. I have never been satisfied by these explanations. The first requirement of a scientific analyst is that he should clearly define the concepts he is utilizing.

I. Defining Development

By development I mean the *movement upward of the entire social system*, and I believe this is the only logically tenable definition. This social system encloses, besides the so-called economic factors, all noneconomic factors, including all sorts of consumption by various groups of people; consumption provided collectively; educational and health facilities and levels; the

* The author is Professor Emeritus in International Economics at Stockholm University, Sweden; Associate and *pro tempore* Resident Visiting Fellow at the Center for the Study of Democratic Institutions, Santa Barbara, California, U.S.A.

distribution of power in society; and more generally economic, social and political stratification; broadly speaking, institutions and attitudes—to which we have to add as an exogenous set of factors induced policy measures applied in order to change one or several of these endogenous factors.

This social system may stay stagnant, or it may move upwards or downwards. (It may also “turn around its axis”, a complication that will not be commented upon in this abstract and simplified account.) The dynamics of the system are determined by the fact that among all the endogenous conditions there is *circular causation*, implying that if one changes others will change in response and those secondary changes in their turn cause new changes all around, and so forth. The conditions and their changes are thus *interdependent*.

This is why all of them must be taken into account when considering the movement of the system and also when analyzing what happens to one set of conditions, for example, economic factors or one economic indicator, such as production or GNP. Only a holistic, what I call “institutional” approach is logically tenable. The changes which in this model are defined as exogenous, that is, policy measures, are under a wider perspective also dependent on the endogenous conditions and their changes, to which they are reactions and which also, in many ways, constrict their scope and direction. When kept separate in this model of circular causation, this is done in order to preserve a room of freedom for *development planning*, that is policy deliberations and decisions conceived of as not entirely restricted and determined by the other conditions and their changes.

There are three aspects of circular causation. One important characteristic is that mostly, although not always, a change upward of one condition results in secondary changes of other conditions proceeding *in the same direction*. Because of this the circular causation will tend to make changes have *cumulative effects*.

Second, whether a condition's change is going upwards or downwards must be determined from the point of view of whether it contributes to development. Usually the answer to that question can be given without much hesitation as an inference from our general knowledge of the process of circular causation. To give an abstract example: Improved nutrition will tend to raise productivity of labor, while higher productivity normally will

increase the opportunity to improve nutrition.

Third, the coefficients of interrelation between all the conditions in the social system—and the inertia, time lags, or in extreme cases the total nonresponsiveness of one condition to changes in other conditions or some of them—usually are *unknown*, or our knowledge of them is *utterly imprecise*. This is largely true even in the developed countries with their much more highly developed analysis of all social conditions and their more perfected statistical services, but it is particularly true in underdeveloped countries. Consequently, our analysis of development must involve broad generalizations and mere hypotheses, built upon limited observations, discernment, and conjectural judgment.

Our endeavor, of course, should be to direct empirical study to ascertain those coefficients of interrelations and thus to fill in with knowledge, as much and as rapidly as possible, this tremendous area of ignorance. But it serves no rational purpose to overlook our massive ignorance on this score and pretend knowledge which does not stand scrutiny.

Many of those large masses of figures quoted in the economic literature on underdeveloped countries are not worth the paper they are printed upon. They have been gathered with the help of concepts that are not adequate to local reality, such as *unemployment and underemployment*,⁽¹⁾ and more generally derived from an analysis that is illogically restricted mainly to the “economic factors.”

II. Production and Development

The common usage by economists, journalists, and politicians of gross national product or one of its derivatives as representative of development falls under the theoretical stricture expressed above. But apart from this, much more than is commonly conceded, the production concept is utterly weak statistically for developed countries, and for underdeveloped countries it is even more flimsy. Anyone who has taken the trouble to look into how the figures for GNP have been produced in underdeveloped countries should

(1) Gunnar Myrdal, *Against the Stream: Critical Essays on Economics*, Pantheon Books, New York 1973, chap. 5, section 13, and earlier contributions cited there.

find them very difficult to use as they now commonly are used.⁽²⁾

But keeping here to the theoretical problem, it may be useful to remember how classical economists from the very beginning have a distinction between production (including exchange in the market) and distribution. More and more regularly after John Stuart Mill's clarification of that distinction it has been used for focusing attention on production, while leaving distribution out of the analysis, usually with only a general reservation. This is the historical origin of the GNP, which is still with us.

The common idea is that it is possible, first, to ascertain what is produced, and, second, to determine how the product is distributed. This way of thinking is logically unsatisfactory. Production and distribution must be thought of as determined in the same macro system; they are causally interdependent.

When, nevertheless, an interdependence has been recognized, the common pattern has been—also from classical time to the present—to assume that redistributive reforms carry a cost by hampering the growth of production. In the postwar period this line of thought mostly has determined the analysis of the development problems of underdeveloped countries, at least until very recently. But for a long time it also has been followed in regard to developed countries. It most often has been taken as a general assumption, founded on speculation. Exceedingly little empirical research, even to date, has gone into such simple questions as the effect of differences in distribution on saving, investment, and production.

Well-planned redistributive reforms, however, can be productive by raising the quality of the labor force and/or by saving individuals and society from future costs.⁽³⁾ This holds true for even those rich countries which already have raised substantially the level of living of their least affluent strata. But it is even more true for underdeveloped countries, where large masses of people suffer from very serious privation which must hold down their productivity.

There are many examples of how the economic analysis of the development problem of underdeveloped countries has erred under the influence of

(2) *Ibid.*, chap. 5, section 13, and particularly chap. 10.

(3) *Ibid.*, chaps. 3, 5, and 6.

this exclusive focus on production. One such is the frequent use of growth models which leave out consumption levels. Such models may not lead to very incorrect conclusions about development conditions in countries with relatively high incomes even in the lower income brackets, an effective social security system and public services on a high level rendered free to all who need them—although they certainly would not be appropriate for analyzing conditions in U.S. slums. Another example is the lightheartedness economists often demonstrate in asking for increased savings, even by the poorest in underdeveloped countries, as a condition for rapid development.

III. Income and Wealth

A further serious flaw in the treatment of the problem of equality by many economists, both in earlier times and today, has been to limit whatever interest they have shown to an analysis in terms of incomes and wealth. Both of these are calculated as aggregates of monetary units (as in the GNP). The analysis may be enlarged to encompass consumption and savings, but all of these aspects usually are restricted to what is accounted for in private budgets.

This is unsatisfactory for several reasons. Public consumption also should be analyzed with respect to what actually accrues to people in different strata in the form of goods and services after subtracting charges and taxes. Given the trend toward the socialization of consumption, particularly in the advanced welfare states both in the wealthier European countries and the European communist nations, an analysis of only the distribution of private incomes goes viciously wrong.

Public consumption mostly contains elements of cost saving rationalization, thus enhancing its value above the incurred public expenditure. Also, the rules both for the payments for public consumption in charges and taxes and the services rendered or goods made available are often, although not always, framed so as to increase the consumption of those deemed to be more needy.

Moreover, there are many other conditions besides the actual apportionment of services and goods which have significance for the degree of equality in a society. What is sometimes referred to as social equality has real import-

ance for the opportunities open to people.

In respect to that type of equality, the organization of public consumption can have crucial significance. Consider the difference between certain public maternity and child care clinics. In U.S. city slums they are very sporadic “pilot projects”; in advanced welfare states they are regular institutions dispersed over the whole country so as to fully meet the needs of the population. Every pregnant woman must go to them, and goes willingly, since they offer services superior to those she could obtain privately. As a result, young women from all social and economic strata come together in the waiting rooms. This implies a measure of human equality quite apart from the equality of the services rendered.

IV. In Underdeveloped Countries

Even more so than in developed countries, and for somewhat different reasons, the imperfections in traditional economics—the inherited tendency of isolating the equality issue from the issue of productivity, and of thinking in terms simply of money incomes and wealth—has led to a superficial approach to the development problem in underdeveloped countries and, indeed, to an abstention from tackling the real problems by intensive study.

This is so, first, because the two concepts, higher productivity and greater equality, are even more closely tied together than in developed countries. Second, in both respects, successful reforms must entail radical changes of all the noneconomic factors, which usually have been excluded from the economic analysis. These factors play a much more forceful and inhibiting role for development in underdeveloped countries that have been stagnant over long periods.

In fact, the redistribution of money incomes, particularly in very poor countries, cannot amount to much and may not have favorable effects. First, the rich mostly are few in number. Second, higher taxation of the rich is very difficult to effect since tax avoidance and tax evasion usually are colossal.

Quite aside from this, what the poor masses need is not a little money, the distribution of which ordinarily only would spur inflation, which regularly

works to their disadvantage. They do need fundamental changes in the conditions under which they are living and working. The important thing is that these changes regularly must imply both increased productivity and greater equality. The two purposes are inextricably joined. Several significant areas require attention.

In agriculture there is need for a changed relation between man and land. The possibility and incentives must be created to enable man to work more, and more effectively, in order to raise yields and to employ all available resources, beginning with his own labor, for improving the land. In addition, land and tenancy reforms—which can take different forms to suit different conditions—need to be supplemented by auxiliary reforms to provide credits, agricultural extension services, and so forth. But without more fundamental reforms of land ownership, these strivings for “community development” have proved ineffective. Until now they mostly have been a way of escaping land reform, which is why they have failed.

Similarly, truly effective educational reform, also important for creating both greater equality and a higher productive capability, must aim at much more than merely putting children and youth in schools. The whole educational system must be changed as well as the manner of teaching and the content of what is taught, and its impact on inegalitarian social and economic stratification must be felt. Adult education must be given primary importance. In many underdeveloped countries, adherence to the inherited educational system—often not improved by advice and impulses from the developed countries—merely permits the channels to widen under the pressures which mostly come from the relatively privileged classes. These systems are mainly antidevelopmental, partly, but not only, because they support the prejudices against manual work.

The population explosion tends to increase inequality in an underdeveloped country, while simultaneously hampering growth and development. I have concluded that a successful policy to spread birth control among the masses assumes a whole package of reforms which can give people the feeling that they are living in a dynamic society that increasingly opens up to them opportunities to improve their lot.

Underdeveloped countries are usually “soft states” with grave deficiencies in legislation and the implementation of laws. In such a society laxity and

licentiousness spread to all social and economic strata. But it is those who have economic, social, and political power who can exploit fully the lack of social discipline in their environment. The fight against the soft state and, in particular, against corruption, which seems to be on the increase almost everywhere, is, therefore, strongly in the interest of greater equality. That these types of deficiencies in the social order hamper economic progress is undeniable.

Conventional economists, accustomed to think in terms of "economic factors" and redistribution of aggregate money incomes, until recently have not shown much interest in these types of social reforms and the way productivity and equalization of opportunities are tied together indissolubly. They thus have pleased the elite stratum that holds power in almost all underdeveloped countries, rather independent of their constitutions, and which generally is not so interested in the radical reform of a society in which it has a privileged position.

V. Unified Approach

Very recently a new movement has arisen. It has been reflected in resolutions in various organizations within the United Nations system and in studies and reports by experts called together by them. The demand has been made for a "unified" or "integrated" approach to the development problems of underdeveloped countries. These strivings are directed against the tendency of conventional economists to think only in terms of "economic factors". They demand a broader approach which takes into account the social reality of institutions and the attitudes formed within them, which attitudes, in turn, support them.

There is increasing realization that the models, concepts, and even the whole approach inherent in the economic analysis of developed countries leads to superficiality and gross mistakes. What is demanded, in fact, is what I call an institutional approach in the study of underdeveloped countries. Development must be understood as the movement upward of the entire social system, where there is circular causation between conditions and changes with cumulative effects. Reforms must be directed toward moving the system upward as much and as rapidly as possible by inducing

changes planned with this result in mind.

There is still much confusion, much housecleaning to be undertaken. Many inadequate concepts—for example, GNP or unemployment and underemployment—still are carelessly employed, and many misrepresentative statistics are used which have been collected and analyzed in terms of such concepts. But a movement is on the way that in time will overcome much of this criticism against conventional economics which has been hinted at above.

As this movement toward a new and more realistic approach is gathering momentum, interest is becoming focused on the close relations between greater equality and higher productivity and on the more radical institutional reforms founded upon an understanding of how these two purposes are adjoined.