



Gunnar Myrdal: "The Equality Issue in World Development" Nobelprisföreläsning 1975

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My first impulse, when brooding over what topic I should choose for this lecture, was that I should turn toward some specific problem, selected from the field where I am at present working. But then I felt that more appropriate for this very special occasion would be that I should talk in more sweeping terms about a broader problem, and I chose the equality issue in world development. I shall dwell upon the economic, financial, social, psychological and political conditioning of our thinking about that issue, which is at bottom, a moral issue.

Our knowledge, as well as our ignorance, at any time and on every issue, tends to be opportunistically conditioned, and thus brought to deviate from full truth. In every epoch and every problem, this opportunistic tendency operates also in our scientific work, if not critically scrutinized. This view dawned upon me more than forty years ago, when I analyzed the political element in the development of economic theory. I have then over the years found this hypothesis confirmed by my studies in many different fields and, of course, during my ten years as Executive Secretary of the United Nations Economic Commission for Europe, responsible for operational work in relations with governments, as well as for research.

When I am now working on a study of the broad social and economic dynamics of race relations in the United States since the time, more than thirty years ago, when I wrote *An American Dilemma*, it has struck me how different the whole outlook on the world could be during the late Roosevelt era, compared with now. In most respects the world issues seemed to be, and in a sense were then, simpler, much less complex.

Leaving all other differences aside, what then was referred to by the static term the "backward regions" were held at rest, within the colonial power structure.

Their continued economic stagnation in great poverty was taken for granted, without exerting much interest on the part of the public in the rich countries, nor among their economic scientists.

Perhaps the most important effect of World War II was the rapid dissolution of that power structure – although not having been part of the war aims of any belligerent country and not expected anywhere. Beginning with the quasivoluntary decolonization of the British dependencies on the Indian subcontinent and the rest of South Asia, it swept over the globe like a hurricane, reaching also regions where there had been virtually no indigenous liberation movement foreboding and, in some measure, preparing for the change. The result was the coming into existence in a rapid sequence of a great number of new, politically independent countries, which all were very poor and mostly stagnant, economically and socially, but where the educated elite, who thought and acted on their behalf, now raised the demand for development.

In turn, as a subsequent effect of that political change the general public in the Western countries were suddenly forced to become aware of the huge income gap as between the poor majority of mankind and the rich minority, as well as the further fact that this income gap is continually widening, as indeed it had been doing for more than a century. An isolating wall of inattention, and an ignorance made possible by that opportunistic bent of mind, had been broken through.

The poverty of what now came to be known as "underdeveloped countries", a dynamic term, became recognized to be a problem. This represented a momentous redirection of public interest. Within this movement there went also an equally radical redirection of economic research, for the first time giving importance to these countries' abject poverty and also to the policy methods, which could initiate progress there by planning for development.

This new awareness of the poverty in underdeveloped countries was bound to be morally disturbing in the Western world, where, particularly since Enlightenment, the ideal of greater equality has had an honored place in social philosophy. In economic science it had even been "proven" and placed at the basis of economic theory. The influence on practical policy of that recognized ideal had been minor, however, until towards the end of the last century economic conditions and power relations in one Western country after another

began to make possible gradually to turn them into "welfare states." This process also implied greater awareness of existing inequalities.

From the beginning we find also that among the new policy proposals of economists aimed at instigating development in the underdeveloped countries, besides the prescriptions for economic planning, there was included a demand for economic assistance from the developed countries. In fact, much of the writings of economists in that early stage of the postwar era, as in many cases even later, became focused upon urging the politicians and the general public in the developed countries to be prepared to come forward with technical assistance, capital aid, and commercial concessions.

This was a new element in Western thinking. Until then, the colonial power system had served as a protective shield for consciences in Western developed countries. There anyhow existed no political basis for sensing any degree of collective international responsibility for what happened in the colonial dependencies of some West European countries, for instance no surge for a discussion in the League of Nations about how to help them to develop.

And the otherwise highly idealistic charter of the United Nations, drawn up before the end of World War II, had little to say about the right to political independence for the peoples in the "backward regions." The Charter was still less outspoken about how to spur and aid development in the underdeveloped countries that would come to emerge.

But almost from the beginning, the United Nations and its specialized agencies became now the sounding boards for demands, raised by the representatives of the underdeveloped countries, for aid from, and commercial considerations of the developed countries. During the three decades of its existence, the effectiveness of the United Nations has, on the whole, tended to decrease, particularly in the field of peace and security and, more generally, all issues in which the developed countries feel they have important stakes. But this whole system of intergovernmental organizations has more and more become agencies for discussing, analyzing, and promoting development in underdeveloped countries. Their secretariats produce statistics and studies aimed at ascertaining, analyzing, demonstrating, and publicizing the pertinent elements of their poverty and the possible means of lifting them out of it. This is part of the process through which a compelling awareness of their plight has been

engendered in the postwar period and forced itself upon every alert person.

Under the pressure of the underdeveloped countries, who have grown in number of votes and gradually learned to cooperate and work out a common stand, the developed countries have gradually been brought to make some, although minor concessions in their commercial policies and even to subscribe the funds for permitting old and newly created agencies in the United Nations family of intergovernmental organizations to provide technical assistance and capital aid. Still multilateral aid has remained only very small in relation to needs, and even compared with unilateral aid however it is calculated.

The aid urged in the economic literature and discussed in the several developed and underdeveloped countries at home and in the United Nations was at that time never thought of by anybody as needing to be more than marginal. Part of the explanation of this was undoubtedly the optimistic slant of early economic theorizing about the development problems in underdeveloped countries, originating from the common disregard for the "non-economic" factors, broadly attitudes and institutions and, in particular, the social and economic stratification, that raise so much greater inhibitions and obstacles to development in these countries which for ages have been stagnant. This optimism was, of course, also in the selfish interest of the developed countries as it implied that underdeveloped countries could develop with less aid.

But I must confess that when, twenty years ago in the middle of the Fifties, I delivered a series of lectures in Cairo focused on the same topic as my present lecture (later published in a volume, *Economic Theory and Underdeveloped Regions*), and in spite of my already then having attempted to redirect my thinking in an institutional direction, I could assert:

"What is needed is not primarily a redistribution of wealth and incomes. Indeed, aid can only be a very small part of a rational international equalization program... None of the schemes which have been propounded for capital aid for development of underdeveloped countries has ever amounted to taking away more than a tiny fraction of the yearly increase of national income per head in the richer countries, which implied that no real sacrifice has ever been envisaged... A wholesale income equalization by redistribution between nations is both impossible and, I am inclined to believe, an unimportant objective."

Among things which, at that time, besides defects in our theoretical approaches, contributed to our common overoptimism in regard to planning for development in underdeveloped countries, was that only gradually, toward the censuses around 1960, did we have reasons to worry much about a population explosion, as population increases as known up till then had not been proceeding at too alarming a rate. Also, the anxiety emerging in more recent years about depletion of not renewable resources had not then drawn our attention to the tremendous inequality in the use of resources. The challenge was not apparent of the virtual necessity of bringing down the consumption of these and other resources in the developed countries, if development should be possible in the underdeveloped ones.

To this new configuration of the problems in these underdeveloped countries and of our relations with them I will lead up to in the second part of my lecture.

In the developed world, the political climate at that early time did certainly not encourage economic scientists to raise more than very modest proposals for aid to the newly discovered world of age-old poverty.

In the beginning and continually for a long time, what of aid was given came almost only from the United States. Most European countries faced themselves a serious reconstruction problem. For a second time the United States had emerged from a world war richer than ever and with its productive assets undamaged. The Marshall aid program for Western Europe – on a much grander scale than any aid later afforded underdeveloped countries, given on much more generous terms, and lasting until the middle of the Fifties – undoubtedly tended to crowd out considerations to give much aid to the development of underdeveloped countries.

During the rapid decolonization, American aid to the newly independent countries had a very slow start and remained, for years, on a diminutive scale with the partial exception of the aid given to the United States' former colony, the Philippines, which had also, like her European allies, suffered wartime destruction. When then in the Fifties American aid began to take somewhat larger proportions, it became, however, geared to the intensifying cold war and aimed at supporting politically allied governments or, sometimes, to reward a not unfriendly neutrality. This is clearly visible in the distribution of aid among countries.

Aid was from the beginning motivated as being "in the best interests of the United States", and these interests were primarily defined in the crude terms of political, strategic and military advantages for the United States. Most of the aid to underdeveloped countries became, directly and indirectly, military aid. It was nevertheless, at the same time, in some vague way also conceived to be an aid to development given for humanitarian reasons. This latter motivation was, however, increasingly pushed in the shadow.

Toward the middle and end of the Fifties West European countries became somewhat more important as providers of aid to underdeveloped countries. It was partly due to the prodding of the United States, that these countries as they regained economic viability should shoulder their share of the aid burden. They, too, commonly tended to view aid from the point of view of their national interests, though those interests were conceived more in terms of export and the retention of cultural and, in particular, commercial links with former colonial dependencies, and less as offering political, strategic and military advantages.

Finally it should be recalled, that the aid coming from the Communist bloc was on an even smaller scale and more definitely geared to political interests in the raging cold war.

Aid did gradually rise towards the beginning of the Sixties, although the motivations on the part of the aid-giving governments had as a result a skewed distribution among countries. Then the solemn designation 1960 by the United Nations General Assembly of the next ten years as the Development Decade, at the proposal of the newly elected President of the United States, John F. Kennedy, did contain implicit and explicit but vague promises on behalf of the developed countries of more substantial aid for development.

But what actually happened was that from about that time on, the rising trend instead stagnated and began to steer downwards. In the United States this movement has continued until now. Because of its weight among developed countries, aid in real terms has even globally continually been decreasing and, what is even more important, the "quality" of aid has in several respects been deteriorating.

Even though in this brief lecture I cannot be more specific, I must refer to the fact that the statistics and budget figures for aid have been opportunistically juggled by the United States government and, to a lesser extent, by most other Western governments as, more lately, they became more important as providers of aid. Building upon these figures, the falsification has then been continued and given authority by the Development Assistance Committee (DAC) of OECD, the organization of all the non-Communist developed countries.

The misrepresentation of the facts has been most glaring in regard to what the DAC secretariat calls the "net flows" of private capital to the underdeveloped countries, where not only profits on foreign investments but also capital movements, often capital flight, are not accounted for. This was bluntly pointed out in DAC already in 1969 by the Swedish Minister of Industry, Krister Wickman.

But even the "public flows" of aid proper have been systematically beguiled to conceal the downward trend. Often the figures have been used without discounting for the rising trend of prices. Loans, which during the Sixties were continually substituted for grants, were without proper qualifications reckoned as aid. Tying aid to exports from the "donor country", which had gradually become the general rule in almost all Western countries, implies mostly higher import costs for the underdeveloped countries. Particularly in regard to the United States, items of military aid are often smuggled into the computations as aid to development.

As the Sixties progressed towards its close and continuing till now, the political character of aid has become ever more pronounced in the United States. A prime operative factor was, of course, the increasing military involvement in the Vietnam war, which has implied "aid" on a large scale to the Saigon government and later to the Cambodian insurgent government, and some other satellite governments in South East Asia.

In spite of the fact that these easily detected opportunistic manipulations of the aid statistics have been demonstrated in some detail, the officially presented, misleading figures are, mostly without any qualifications, quoted and utilized by officials, politicians and journalists all over the world. In the same way they are used by the delegates and secretariats of intergovernmental organizations. They are usually accepted even by representatives of underdeveloped countries

and by those in developed countries who argue for increasing the amount of aid.

The lack of zeal on the part of most professional economists to scrutinize the statistical figures on aid is to me embarrassing, like their often uncritical use of many other statistics from underdeveloped countries, their acceptance of a diplomatically twisted terminology and, more fundamentally, their use of systems of analytical concepts that are inadequate to the situation in underdeveloped countries.

The naked truth is, that when the present emergency came, aid in any real sense was low and tended to go even lower.

My next point is that the motivation given for a policy does matter, not only in a deeper moral sense, but also for its affectiveness.

In the United States, where aid to underdeveloped countries has been continuously argued as being in "our country's best interest", with these interests more and more specified as located in the military sphere, foreign aid has increasingly lost its popular appeal. The fact that the foreign policies supposedly served by this direction of aid has met defeat in Southeast Asia and also been less than successful in Latin America and other parts of the world, can only have made people in America ever more sceptical and adverse to foreign aid supposed to serve these purposes. Since long the American government has had to fight in every Congress to save the foreign aid appropriations from being cut down more than they have actually been.

Even liberal Congressmen have shown increasing resistance to stand for foreign aid. They fear even that aid, given that direction, may lead the United States into military involvements like the one in Vietnam. Conservative Congressmen have meant that any aid goes down in a rat hole, to use an American expression.

The United States' major West European allies and, in particular, Britain, France, and West Germany, have argued for foreign aid in a considerably less nationalistic spirit, and in any case not attached primary importance to their strategic and military interests in the cold war. They have, at the same time, been able to hold up their aid appropriations better than the United States.

In a few, mostly smaller developed countries, where aid has been allowed to increase and is mostly still increasing – and where aid is also accounted for in a generally more correct way – the arguments for aid in terms of national self-interest have been given less weight or been entirely absent.

Sweden, where the government has been committed to increase its aid by twenty-five per cent each year, is, of course, a case in point. None of the nationalistic motives for aid in the United States and, to a lesser extent, present also in its major West European allied countries, could with any credibility be presented to the Swedish people. Aid has had to be argued in terms of human solidarity and compassion with the needy. Also in the other Scandinavian countries and, for instance, in the Netherlands or Canada, the situation is not too different.

My theory is that the selfish national interests, particularly as they so often turn out to have been spurious and misconceived, do not appeal to ordinary people, who in our type of countries determine the course of public policy over the years, while a motivation in moral terms carries weight. When in the United States the general public appears massively indifferent to foreign aid, this may be, as an American author has stated it, because the appeal has not been made to the humanitarianism and fundamental decency of the ordinary American. I cannot believe that Americans are basically less charitable than Swedes.

I find support for my theory in the consistent correlation between behavior in regard to aid and the reasons given for aid in the United States, its major West European allies, and the third group of smaller nations, respectively. If I had the time, I could furnish more specific reasons for my theory than this broad correlation. I insist that I am offering this theory not merely as the opinion of a moralist but as the conclusion of an economic scientist who has devoted study to the problem. When politicians and experts become timid about giving due importance to moral commitments, realism is absent.

I have stressed this theory, as I will have to come back to the fundamental moral problem, when I now come to deal with the present calamitous situation in the world. Meanwhile, I should note that even in those countries, that were more generous with aid, it was still on a marginal level, not implying much real sacrifice for their peoples. In recent years there have been sudden, major changes in the world economy. They have radically affected the economic situation of

all underdeveloped countries, though in different directions and degrees, and thereby the entire setting of the equality problem I am discussing in this lecture. For by far the larger part of the peoples in underdeveloped countries, these changes have been worsening their development prospects and in many countries are now threatening the survival of large numbers of their poor masses. The type of marginal foreign aid we have provided, is clearly not enough to meet their barest needs.

The underdeveloped countries are therefore now proclaiming the necessity of not only increased aid but fundamental changes of international economic relations. By their majority votes they can in the United Nations carry resolutions like the "Declaration on the Establishment of a New International Economic Order", passed at the conclusion of the Special Session of the United Nations General Assembly held in April 1974 to consider the emergency situation.

At the World Food Conference in November of the same year a declaration was passed on the eradication of hunger and malnutrition, establishing the right of "every man, woman and child... to be free from hunger and malnutrition", and stressing the "fundamental responsibility of the governments to work together" for reaching that goal. The new commitments made by the developed countries and the new institutions created fell, however, far short of assuring even a modest beginning of implementing these ideals or even to prevent a further serious deterioration of the food situation in underdeveloped countries.

Particularly delegates from the group of smaller countries that had already in the earlier epoch consistently shown more sympathy for the cravings of underdeveloped countries and who have also maintained or even increased their modest aid, have often voted for the most general though noncommittal declarations. And they have sometimes positively expressed agreement with the radical demands for a new world order, which logically must imply an infringement of their countries share of the world's resources. They must then have spoken and voted without much sincerity, as they cannot have been ignorant about the fact, that the nations they represent are not really prepared to give up privileges, least of all on a scale commensurate with their general promises. To this I shall come back.

In my further, utterly compressed and summary remarks on the profound

changes that have brought about a critically new setting of the world equality problem, I will view these changes from the restricted viewpoint of their impact on underdeveloped countries and of the preparedness in developed countries to come to their aid.

A few of the underdeveloped countries, those having oil for export, have succeeded to form an effective cartel, the Organization of the Petroleum Exporting Countries, raising the price of oil four and a half to six and a half times the earlier price, depending upon what base year is chosen for comparison. They have suddenly become immensely rich. Except a few of them, like Nigeria and Indonesia, they were among the richer of the underdeveloped countries already before, or at least not so poor.

In an estimate, which is naturally very uncertain, the World Bank has reckoned that the accumulated surplus revenues could reach \$450 and \$550 billion by the end of 1980. The revenues for last year have been estimated to exceed those for 1973 – when for some few months the oil prices had already been pressed up to a much higher level – by some \$60 to \$65 billion, of which about \$10 billion have to be paid by underdeveloped countries. This more than swallows up all aid they had been getting, however inflated as in the faulty DAC statistics. And then is not counted the rise in prices of the fertilizers and other oilbased products they need to produce or import.

On the whole, other underdeveloped countries have avoided criticizing the OPEC countries. They apparently sensed a new power and admired as a novel phenomenon the authority and unity with which the OPEC countries conducted their negotiations with the foreign oil companies and the developed countries. Those few underdeveloped countries which export copper, bauxite and tin and even those exporting rubber, sugar, cocoa and coffee saw new opportunities, and they had for a time their hopes supported in the general commodity boom which lasted until almost a year ago.

Studies made generally tend to support the view, that the countries in OPEC will have good opportunity to hold up the oil prices – if there is not a new outbreak of war in the Middle East, or if the developed Western countries do not fall into a very serious slump, when in both cases the future of oil prices as well as many other things become entirely unpredictable. But the other commodity exporting underdeveloped countries will probably not succeed to

follow the same pattern to any considerable extent. And they represent anyhow, like the oil exporting countries, only a small part of the peoples living in underdeveloped countries. On the whole, with clear exceptions, the underdeveloped world is rather less endowed with marketable resources of this type than the developed countries were when they developed, and are even now.

All underdeveloped countries which depend on oil imports will suffer a setback to their development programs. It can be shown to be broadly true, however, that the poorest among the underdeveloped countries, which also generally have had least of development, or no development, are particularly hard hit by the oil crisis. To those hardest hit belong the countries on the Indian subcontinent and also Ceylon with soon together a total population of one billion, the largest conglomeration in the world of desperately poor people.

By historical accident, with the oil crisis was compounded the food crisis. The latter actually preceded it by about a year. It was caused by bad crops in many parts of the world and by earlier attempt to decrease the bulging food stocks in the surplus countries, particularly in the United States but also Canada and Australia. These stock were expensive to store, and had up till that time almost made food aid to underdeveloped countries a not too burdensome policy of agricultural protection, holding up food prices at home and abroad.

Food prices now advanced suddenly and rapidly to the great disadvantage of the grain importing underdeveloped countries and contributed to the inflationary trend even in the rich countries. We are now anxiously expecting news about what this year's crops will amount to. Any surplus will partly have to be used for building up stocks again, which are at a dangerous bottom level.

The oil crisis has had, and has, serious implications for agricultural production in underdeveloped countries, particularly but not only by raising the prices for fertilizers. The technocratic euphoria some ten years ago about a "green revolution" had already earlier been shown up as having nurtured undue optimism. There are many more reasons, but among them was also that the new high-yield grains could only be grown on land with plenty of water and by using much of fertilizers, which already at the lower prices restricted the favorable impact of the availability of the new seeds on agricultural production.

If the present acute food crisis was thus caused by short-term misfortunes, like droughts or floods and the increased prices of fertilizers, the reason for long-term anxieties for the future is primarily the ongoing population explosion. India, which pioneered attempts to check fertility earlier than any other country, has as present a population increase of more than 12 million per year, that is a rate of around 20 promille. I guess that at present the rate of population growth is still slightly rising in most underdeveloped countries.

The unfortunately much confused World Population Conference in Bucharest last year demonstrated that in many parts of the underdeveloped world, particularly in Latin America, Africa and the Middle East, though not in Asia proper, there is little understanding of what a high population increase means for keeping down levels of living and for holding back development in every underdeveloped country. Those effects are largely independent of how much of underutilized resources a country disposes of, though, of course, they are more serious in the already crowded countries. That population increase raises the demands for a substantial increase in agricultural production, is obvious.

I cannot in this lecture go deeper into the population problem but I want to stress, that the difficulties in bringing down the number of births are tremendous, even for a country that seriously tries a family planning policy, which India's example demonstrates. A condition for success is that individual couples among the masses can experience that they are living in a dynamic society which offers them opportunity to advance socially and economically. It is not so much the level of living as such that matters, but whether it is rising. A comparison between the relative success or failure of family planning in different underdeveloped countries broadly confirms this theory.

There is, therefore, a vicious circle inherent in the present trends. As development is frustrated and living levels brought downwards among the masses because of the oil crisis and the food crisis, any population policy, which might be inaugurated, becomes less effective. And so the food crisis becomes goaded in the way of circular causation with cumulative effects.

At a certain stage, which might stretch over a period of years with its ups and downs, the "Malthusian checks" on the population thrust come into operation. There are already now regions and groups in underdeveloped countries where the mortality trend has turned upwards.

But ahead of that point, and thereafter simultaneously, the morbidity will rise. A growing part of the poorest strata in a population may be more diseased, or at least be lacking in vigor, and may even become ever more afflicted, while the mortality rate is still decreasing, due to the cheap and powerful medical technology made available after the war. People will continue to live and breed, only to suffer debilitating conditions of ill health to an ever larger extent. Thus, they will be ever less efficient with serious effects also on the productivity of the labor force.

In this situation there are certainly moral and rational reasons for a new world order and, to begin with, for aid on a strikingly much higher level. In particular, people in the rich countries should be challenged to bring down their lavish food consumption. It is estimated that if the average American were to reduce his consumption of beef, pork and poultry by 10 percent, 12 million tons or more of grain would be saved. This would mean making so much more food aid possible, saving perhaps five times as many million people as tons released, or even more, from starvation in the poorest countries. This reduction of meat consumption would be in the rational interest of the American people itself and much less than is recommended for health reasons by the American Heart Association: one third. To overeating comes the colossal waste by overserving and spoilage. To a varying and usually lesser extent the same holds true in all developed countries.

As has also been amply demonstrated: the cutting down of consumption, and of production for home consumption, of many other items besides food, and in all the developed countries, is rational and in our own interest. This is what the discussion of the "quality of life" is all about. Our economic growth in a true sense could certainly be continued, but it should be directed differently, and in a planned way, to serve our real interest in a better life. At the same time, it would release resources for aiding the underdeveloped countries on a much larger scale and to begin with for solving the acute food crisis.

I am in deep sympathy with the urgings of medical men, environmentalists and other colleagues in the natural sciences, when they speak for the rationality in our own interest, individually and still more collectively, of a much more frugal life style so far as growth in consumption, and production for home consumption, of many material products is concerned. This is what I sincerely

mean is in line with our own welfare as well as our proclaimed ideals.

Real economic planning should be done in these rational terms. Such planning could help us to be more successful in solving the internal equality problems and would at the same time provide for a much larger aid to development in underdeveloped countries. In the first place, it could prevent the serious risk of human disasters for the majority of the poorest peoples in these countries. The blunt truth is that without rather radical changes in the consumption patterns in the rich countries, any pious talk about a new world economic order is humbug.

It is legitimate for an economist to analyze what the rational inferences in regard to economic policy would be from the value premises of what is in people's true interests and their acclaimed ideals. But if, instead, we raise the other problem of what is actually going to happen, it is difficult to believe that these rational policy conclusions are going to be followed out in the practical policies of developed countries. In the tradition of Western civilization we are quite well trained to combine base behavior with high ideals.

The so far very weak reaction on the part of developed countries to the urgent demand for very much higher appropriations for aid, directed not upon serving national interests but upon the needs for aid in the poorest underdeveloped countries, may be partly explained by these needs having burst forward and risen at the very time when the developed countries find themselves in difficulties. They are commonly experiencing an intensification of the stagflation trend toward which they were already steering, with unemployment rising intermittently with continued price inflation. This intensification of stagflation has been caused by the same oil crisis and, to an extent, the food crisis, which have been rendering the situation so utterly precarious for most underdeveloped countries. One effect is serious balance of payment difficulties in all developed countries.

This situation is apt to turn policy interests in developed countries inwards, to the national problems of how to stop stagflation at home and stabilize the balance of payments. Those international issues, which are felt to be important, concern the relations with other developed countries and with the OPEC countries, while from the point of view of narrowly conceived national interests what happens in the underdeveloped countries fades out from serious

attention.

And the wider issue referred to above – about rational national planning for curtailment of consumption, and production for home consumption, of such commodities that are less necessary and often even harmful for health and happiness, which would also help to stabilize the economy and at the same time release so much resources for egalitarian reforms within the countries and between countries – has less appeal in a situation of high and, as a trend, rising unemployment. Even normally there are strong pressure groups defending all sorts of economic activity that results in incomes in the market. And indiscriminately supporting all consumption has become a standard policy means of counteracting unemployment.

Much more generally people keep conservatively to their consumption habits. They don't want to be reformed, even in their own interest. In our competitive society all groups are instead always brought to press for more of the same type of consumption. Commercial marketing does certainly not work for a more rational discussion of our consumption demands.

Our politicians, of all political parties, stick to the inapt concept of "growth" which is embodied in the gross national product or one of its derivatives. We economists, by not having scrutinized more intensively that even statistically rather spurious concept, and by ourselves commonly utilizing "growth" in that sense uncritically as a main value premise in our discussions of practical economic policy, have unfortunately contributed to restricting the mental horizon of politicians and of the common people.

It is in this general setting we have to understand the dawdling and in the end insufficient response in the developed countries even to patent emergency cases, like that of the countries south of Sahara, which with their rapidly increasing population have been experiencing temporary crop failures, as well as the long time reduction of arable land, as the desert is advancing by some thirty miles per year. Bangladesh is in the same emergency situation, having been hit by a sequency of natural catastrophes and by a cruel and destructive war. And neither has there been much willingness on the part of developed countries to enter into firm food aid commitments for other underdeveloped countries with widespread undernutrition among their masses in the rural and urban slums. To this category belongs vast India but also many other, large as well as small

underdeveloped countries.

According to present estimates as many as 10 million people may starve to death this year, and at least half a billion are hovering on the brink of starvation. It is against the background of the expectancy of world catastrophes that the attitudes in developed countries has to be considered in moral terms. In the United States, where the ideological discussion is always so much fuller and more outspoken than in other Western countries, there has in recent years appeared a rationalization in terms of a pragmatic moral theory, which can be used, and has been used, not to challenge but to justify our being so tardy to provide aid and, in particular, food aid to the poorest countries. This new theory can increasingly be found in books, articles in learned periodicals like the prestigious *Science* as well as popular journals like *Newsweek*, it is referred to in the press and propounded at committee hearings in Congress. Recently it has been endorsed by such a respected authority as the President of the National Academy of Sciences, Dr. Philip Handler.

This new theory has introduced the concept "triage" (from the French "trier": to sort), following out an analogy from the practice in the allied medical tents during the trench warfare slaughters of World War I. With resources limited, a distinction had been made between those likely to die no matter what was done to them, those who would probably recover even if untreated, and those who would survive if cared for. The third group alone received attention. The others were left to live, or to die, on their own.

Based on such an analogy, India is in this literature commonly counted as belonging to the first group, which should be left unaided, but also many other very poor countries. Not giving them food aid is more "ethical" so the argument runs, because those who would be saved will breed, and in the end still more millions will ultimately be starving and dying. In the longer run, aid creates more misery than it alleviates.

The triage theory is not advocating less aid from the rich countries, only that it be distributed more wisely by cutting out from consideration those that are helpless. The new awareness of the poverty in underdeveloped countries, to which I referred in the beginning of this lecture, is recognized, and also that poverty among the masses is continually intensified. Television now brings into our living rooms starving and dying people, many thousands of miles away. The

triage theory is said to be expounded in order to help us in a "difficult but necessary and rational psychological adjustment."

As a matter of fact, however, the United States sells most of its surplus grain commercially to countries who can afford to pay for it and even to the poorest, like India. And the United States has actually profited from the rise in food prices; over the last three years commercial food sales have grown from \$8 to \$21 billion, which has been helpful for its precarious balance of payments. Also most of the food aid has up till now in the alleged national interest been going to satellite governments in Southeast Asia, or closely allied governments elsewhere with only very little to the poorest countries.

The triage theorists do not question this use of the United States' surplus grain. The interest to sell food, and also the severe restrictions on what is made available as food aid and the direction it is given, is taken for granted as having been determined by national policy, which is not criticized. They are merely making the negative point that what little aid is afforded, should not be given to the very poorest countries, but that in regard to them "nature should be left to take its course" as the most humanitarian solution.

The argument is often amplified by the assertion that only such an apparently heartless decision can bring these countries to force their people to bring down the birth rate. This shows ignorance about how any policy of family planning is made even more difficult when development is pointing towards impoverishing the masses.

That this theory of triage is meeting strong opposition in America should not surprise. To decide with god-like finality the death to millions of people goes against all American moral instincts. The New York Times in a leading article calls the triage theory "one of the most pessimistic and morally threadbare intellectual positions to be advanced since the demise of the Third Reich."

But in order to overcome "the harsh logic" of the triage theory, the United States would have to come forward with very much more aid, and, indeed, be prepared to initiate and cooperate in planned intergovernmental action in a way pointing towards "a new world order" asked for by the underdeveloped countries, which in turn would necessitate the rational restriction of our lavish utilization of resources. This consequence the paper does state, but again only

in general and noncommittal terms.

This is the moral dilemma which the triage theory only highlights. And it is a dilemma which faces each of the developed countries, whether they have surplus food to sell or give away or not. It would, indeed, assume that the developed countries began to proceed in the direction of the new rational planning, I have urged above.

I have hitherto focussed on the food crisis in terms of the immediate need for aid, in order to prevent, as far as possible, worsened starvation among the poverty-stricken masses in underdeveloped countries. But the food crisis is not a passing worry. In a somewhat longer time perspective, and taking into account the rapid rise in world population, scarcity of food must be expected even to get worse, if agricultural production cannot be steadily and rather speedily increased.

Simplifying matters to the bone, as repeatedly I have to do in this lecture, and leaving out many important considerations, such a rise in food production can only be accomplished, to the extent absolutely needed to avoid a rising trend of hunger catastrophes, by raising yields substantially in the under-developed countries themselves. In developed countries the land resources are already largely brought under fairly intensive cultivation, so that the prospect of additional production is limited, and will have to be bought with rising costs. In underdeveloped countries uncultivated land is usually also scarce and often becoming scarcer by erosion, salination and other forms of soil depletion, if it is not stopped. But apart from this, the yields of cultivated lands are on the average only roughly one third of what they could be.

It has often been wrongly assumed that farming in underdeveloped countries is labor intensive, as an inference from the very large portion of the total labor force sustained in agriculture – in India, which is not selfsupporting in food, about 70 per cent. In fact their farming is extensive. Too few work at all, those who work do it for too short periods during the day, week, month and year, and they work too inefficiently. Part of the explanation is health deficiencies, and in that respect the acute food crisis by increasing undernutrition will only make conditions worse, and actually tend to increase the underutilization of labor and thus decrease the yields.

Already without any other technology than what is already known and applied by some of the farmers in a district, yields could be increased substantially by raising the labor input and its efficiency. A large part of that labor input should rationally be directed upon cooperative public work, improving the land, building more and better roads, constructing wells, irrigation ditches and storage facilities, and generally ameliorating the environment for life and work in the villages.

Modernized technology can make its contributions by raising the yields still more, though it should be highly labor-intensive as there is so much underutilized labor, which has no other place to go than to the rapidly growing shanty slums in the cities, where labor is equally underutilized. Totally, the labor force will be increasing annually by more than two per cent for the next 15-20 years, whatever is happening to fertility.

But to transfer new technology of that type to the masses of agriculturalists meets difficulties. Transferring technology to industry, and, in particular, creating modern large-scale industry, has proven quite feasible – at the price, it is true, of perpetuating the enclave economy typical of colonial times. It calls for only minimal changes in the traditional social and political framework in an underdeveloped country and minimal diffusion of skills throughout the labor force. It evades direct confrontation with the institutional and attitudinal obstacles that are holding down economic performance and perpetuate low levels of labor utilization. Trying to raise the yields in agriculture through the application of a modernized, though highly labor-intensive technology, has to confront the entire style of life in rural society, which often has become even more inegalitarian and rigid under the pressure of the population explosion.

Most important is to change "the relation between man and land", creating the possibilities and the incentives for man to work more, work harder and more efficiently and to invest whatever he can lay his hands on to improve the land, in the first instance by his own labors. There are a number of auxiliary reforms – in regard to market organizations, extension service, credits, etc. – but without a land reform, which has been botched in most underdeveloped countries, they have proved ineffective to reach the masses of agriculturalists.

And so we face the inequality problem also within the underdeveloped countries. The fact is, that with few exceptions and largely independent of the

constitutions they are operating under, these countries are ruled by tiny upperclass elites of different alignments, in some countries, but not all, having to take some considerations to the "educated" middle class, and sometimes even to organized labor in transport and large-scale industry, which then tends to become a privileged class among the workers.

These governing elites in practically all underdeveloped countries have in general terms explained themselves in favor of greater equality and, in particular, of raising the living levels of the poor masses. But in most of these countries the actual trend has been towards greater inequality. The fruits of whatever development there has been has gone to the upper strata, while the lower strata have not seen much improvement and have often even actually experienced worsening living and working conditions. This trend has recently been pushed forward by the combined effects of the population increase and the oil and food crisis.

Statistics of income distribution, which in some of these countries, for instance India or Brazil, are not entirely unreliable, give important information about this development and illustrate the deprivations the poorest strata have to live with. But a change of the trend towards a more egalitarian society cannot be effectuated by a redistribution of money incomes from the rich to the poor. What the poor masses need is not a little money, the distribution of which in countries with so much poverty and with colossal tax avoidance and tax evasion among the few rich would only spur inflation, that, in turn, regularly works to the disadvantage of the poor.

What they do need is fundamental changes in the conditions under which they are living and working. The important thing is that these changes regularly imply both greater equality and increased productivity at the same time. The two purposes are inextricably joined, much more, in fact, than in developed countries. To these imperatively needed radical changes belong, first, land reform, but also a fundamental redirection of education and health work. And the "soft state" must be made efficient, and corruption, which is now almost everywhere increasing, must be exterminated on all levels.

The reason for stressing the necessity of these radical reforms in this lecture is, that they are all needed for effectuating the fundamental changes of society: which are a prerequisite for efforts to raise labor utilization and permit effective

application of modernized technology in agriculture and thereby to increase yields. Beside the international equality problem, there is a national one.

It could perhaps be expected, that in developed countries, there should be an eagerness to point to these problems and to press governments of underdeveloped countries to initiate reforms. They are all in line with old-established Western ideals. For a number of reasons, however, the opposite is true. Any government negotiations with underdeveloped countries, including those concerning aid, have to be conducted with their ruling elites. The same is true of all business relations. Thus developed countries generally come to strengthen and support the groups who prevent the needed fundamental reforms, or subvert them to actually be favoring the not-so-poor, thereby preserving the inegalitarian social and economic structure. During the cold war, particularly the United States' aid and trade became purposely directed upon supporting reactionary regimes.

When developed countries are so tardy to increase their aid to underdeveloped countries even in their present calamitous situation, this must cause a creeping feeling of guilt on their side. This, in turn, must tend to make them less prepared to discuss these countries' lack of will to carry out the social and economic reform they need in order to avoid a steady deterioration of their situation, not least in regard to food production. An exception is, when, as in the case of Bangladesh, the ineptitude of the government could be pointed to as an excuse for giving so little aid.

Quite generally, those who feel warmest for the underdeveloped countries in their present difficulties are mostly the ones who are least willing to discuss faults and failures in their policies. This excusing attitude is made the more possible as the economists, more in earlier years but largely even now, continue to work with development models excluding the institutional and political factors.

It has become a convention adhered to by almost everybody speaking about mankind's future, to stress that all problems are now becoming global, and that they can only be solved by close collaboration between all governments. The new economic world order, pressed for by the underdeveloped countries and as a general proposition accepted by well-wishing persons in developed countries, sometime even when they represent governments, is becoming another

conventional formula.

As I have stressed, we are, however, far from giving any reality to these high ideals in the fields covered in this lecture and I have tried to explain why and how.

Even outside, and beside the oil crisis, the food crisis and the population explosion, there are other imminent pending dangers mounting in the world. The protracted armaments negotiations have not stopped the armament race between the superpowers and the increasing militarization of the national economies in developed as well as underdeveloped countries. The costs for armaments are calculated to exceed total production in all the underdeveloped countries taken together. These huge expenditures most certainly belong to the unnecessary and exceedingly harmful use of resources I talked about that in a rational world should be cut down drastically. As the publications of SIPRI, the independent peace research institute in Stockholm, has amply demonstrated for such a change the prospects have rather deteriorated from year to year.

Peace has not come to Southeast Asia or to the Middle East. Competent observers are expecting that full-scale wars may again break out, in both cases carrying the risk of superpower confrontation. The advertised detente has implied the abstention from grossly abusive language as between the superpowers, which is all to the good, and some exports from the United States on favorable terms. But very little else in the relations between them has been changed much, and the future of this detente is not assured.

Neither am I hopeful about an early success in most countries to overcome stagflation. Under these circumstances the hopes of creating a more stable monetary system are further from fulfillment than even a few years ago, even if some more or less satisfactory partial recycling of the oil revenues could be organized. The efforts to continue the work on breaking down trade barriers between the developed countries have gone into an impasse, when the most we can hope for is the partial prevention of a return to the extreme and self-defeating protectionism of the Thirties.

The continued militarization of the economies in all countries and the foreseeable failure to create more normal economic and financial relations in the world are certainly not promising for any progress in governmental cooperation

for fighting the threatening impoverishment of most underdeveloped countries which I have been speaking about in this lecture.

But there are worries beyond and above all these problems. I am asking myself what has happened to people's moral valuations.

Wars are fought with increasing disrespect for international law, established for protection of the civilian population. The illegal, immoral and ruthlessly cruel American warfare in Southeast Asia has for the time being marked the culmination of that steeply rising trend from World War I and on. There are terror activities by organized groups, endorsed by some governments and meeting no effective protest by other governments.

Torture has become a regular police practice in an increasing number of countries. In almost all countries there is an increase of violence and crime. The spreading use of drugs, which was not a serious problem a few decades ago, has, as we know, in various ways been a direct cause of increased violence and crimes, and represents by itself an increase of antisocial lawlessness.

A heightened awareness of these developments is pressed upon everybody because of the tremendously more effective communications. By watching television, the broad strata of the American public saw the horrors created by their own government in Vietnam. Too many did not protest, and many more are now trying to live on and forget.

To what extent is the result of all this that we are becoming less morally sensitive? Has it blunted our feelings of human compassion and thus made us more prone to opportunistic indifference? If so, this is also part of the explanation a people's coldbloodedness when facing the problems of sufferings and deaths in the poorest countries, hit by the effects of the oil crisis, the food crisis and the population explosion.

Quite apart from such an enlargement of our perception of those world problems, which I have tried to analyze in this lecture, these problems are in themselves immensely complicated. As an institutional economist, compelled to conceive of development as a movement of a whole political, social and economic system and having tried to deal with the problems in a world setting, I have had to express judgments on a very wide variety of human conditions.

Although I have put labor into basing these judgments upon a more intensive realistic study than I can account for in this lecture, most of them remain tentative and anyhow far from being certain, exact and precise.

This is not my fault but is due, first, to the fact that many of the conditions I have been speaking of are difficult already to define appropriately, and the further fact that the coefficients of interrelations between all changes of conditions within the system are very seldom known with quantitative precision. The analyst is left to use whatever knowledge he can acquire, even if it is not in the precise form that economists have been trying to attain. When dealing with wider issues they often achieve it by limiting the scope of inquiry. This, of course, only makes the analysis less relevant, adequate and realistic, particularly in the present world tumult.

Even though my world view must be gloomy, I am hopeful about the development of our science. We can by immanent criticism in logical terms challenge our own thinking and cleanse it from opportunistic conformism. And we can widen our perspective. Everything can be studied. We are free to expand and perfect our knowledge about the world, only restricted by the number of scientists working and, of course, the degree of their diligence, brightness and their openness to fresh approaches.

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