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GUNNAR MYRDAL AND *ASIAN DRAMA* IN CONTEXT

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Contents

1. Introduction
 2. Myrdal Before *Asian Drama*
 3. The Development Terrain in Mid-Twentieth Century
 4. *Asian Drama* and After
 5. Conclusion: *Asian Drama* and the Development Discourse in the Twenty First Century
- References

Abstract

This paper attempts to understand Asian Drama in the context of the development debates of its time, and in terms of the sensibilities that Gunnar Myrdal—the brilliant economic theorist and philosopher of knowledge, and the Swedish politician—brought to the conceptualization of the problems and prospects of development. The paper covers: (i) what Gunnar Myrdal brought to the analysis of development from his long, varied and distinguished academic and practitioner career; (ii) the development terrain in the mid-twentieth century; and (iii) how Asian Drama lay on that terrain and in the remaining years of Gunnar Myrdal’s continued eventful life. The two central questions posed in the paper are: (i) How did Gunnar Myrdal’s broad experience and perspective influence Asian Drama? (ii) How did Asian Drama influence the development debate?

* Paper prepared for the 50th anniversary of Gunnar Myrdal’s *Asian Drama*.

1. Introduction

Some years ago I was in Second Story Books, a well-known second hand book shop in Washington DC, looking for the three volumes of Gunnar Myrdal's *Asian Drama*. I had been a student in the 1970s, during the decade after its publication, and had read all of the reviews of it and parts of the book itself. It was required reading, or at least required dipping into, for all students interested in development, helped along by the fact that its author won the Nobel Prize in Economics in 1974. A quarter century later, I searched for *Asian Drama* unsuccessfully in the Economics and International Sections, and went up to the desk of Second Story books for help. The person at the desk looked it up, and led me to the volumes—in the Theatre section of the bookshop.

It was perhaps apocryphal that the volume which had taken the development world by storm in the 1960s and 1970s, and shaped my thinking as a student, now languished in the Theatre section of a second hand bookshop. The volume is still cited. It shows almost 5,000 cites on Google scholar, an average of 100 cites for every year of its publication, and there are indeed recent citations. But these I fear are more in the nature of obligatory cites to a classic than a deep engagement with the book. Reading recent job market papers for recruitment of young development economists for my University, I do not recall a mention of *Asian Drama* or of Myrdal. This is their loss because, although very much a product of its time, the insights it provides and the questions it raises are perennial in nature and, although they may not know it, the young development economists of today, many of them, are following in his footsteps.

This paper will attempt to understand *Asian Drama* in the context of the development debates of its time, and in terms of the sensibilities that Gunnar Myrdal—the brilliant economic theorist and philosopher of knowledge, and the Swedish politician—brought to the conceptualization of the problems and prospects of development. The next three sections will cover: (i) what Gunnar Myrdal brought to the analysis of development from his by then long, varied and distinguished academic and practitioner career; (ii) the development terrain in the mid-twentieth century; and (iii) how *Asian Drama* lay on that terrain and in the remaining years of Gunnar Myrdal's continued eventful life. The two central questions posed in the paper are: (i) How did Gunnar Myrdal's broad experience and perspective influence *Asian Drama*? (ii) How did *Asian Drama* influence the development debate?

2. Gunnar Myrdal before Asian Drama

Gunnar Myrdal was a polymath. He was a brilliant economic theorist in the Swedish tradition, turned iconoclast and questioning the methodological basis of economics; a founder of the Stockholm School with insights (published in Swedish) on macroeconomics which were later to be found in Keynes's General Theory; one of the intellectual and political founders of the Swedish welfare state; author of the monumental *An America Dilemma: The Negro Problem and Modern Democracy* which played its role in laying the foundations of desegregation in the USA; after the second world war, tackling economic and political relations across the Iron Curtain as the head of the United Nations Economic Commission for Europe; and of course the author of *Asian Drama*. But *Asian Drama* was by no means his last act. He lived for two decades after the publication of that magnum opus and, before his health faded in later years, was fully engaged in the debates on development. Indeed, his Nobel Lecture (Myrdal, 1975) was devoted solely to that topic.

Thus Myrdal brought a fully formed analytical perspective and a sense of political realities to *Asian Drama*. Indeed, more than a decade before he had already published *Economic Theory and Underdeveloped Regions* (Myrdal, 1957, abbreviated from now on to *Underdeveloped Regions*). Although such claims are always problematic for an author as prolific as Myrdal, this is perhaps his first major sustained statement on development, and can be argued to have framed his thinking leading up to *Asian Drama*. I will come to *Underdeveloped Regions* presently as a precursor to *Asian Drama*. However, there were several lifetimes of Myrdal's work before *Underdeveloped Regions* which set the frame for that work and subsequently for *Asian Drama*. I begin with a brief account of Myrdal before *Asian Drama* and before *Underdeveloped Regions*.

There are of course several biographies of Myrdal which give an assessment of the early Myrdal and his contributions. I draw on many of these in shaping my account.¹ Born in 1898 in the Swedish province of Dalarna, he began studying law at the University of Stockholm in 1918. In 1919 was the colorful meeting, recounted many times, with Alva Reimer at her father's farm.² She was to become Alva Myrdal, his lifetime companion and in the years to come a powerful presence on the world stage and herself winner of the Nobel Peace Prize. Their early discussions set the frame for the Gunnar Myrdal we came to know, as captured by their daughter Sisela Bok in a late memoir:

"Gunnar also shared with Alva how he wanted to live. He had, first and foremost, a thoroughgoing belief in the value of rationality.....Already in his gymnasium, or high school, years, he had decided to choose the Enlightenment thinkers as guides. And the thesis he adopted most unreservedly from some of them was what he would later call his "development optimism": the belief that human conditions would improve as soon as reason triumphed over misunderstanding and

¹ The works include Dostaler, Ethier and Lepage (1992), Appelqvist and Andersson (2005), Barber (2008), Etzemuller (2014). There is also a volume of published and previously unpublished papers from before the mid-1970s, put together by Myrdal himself (Myrdal, 1973).

² Myrdal and two friends were bicycling in the Swedish countryside and asked to sleep in the hayloft at the farm. Alva, then 17 met him at breakfast and they started talking. Here is how their daughter takes up the story: "When, summoning up all his courage, Gunnar asked her to do the unthinkable and come along on the bicycle trip, Alva amazed him by saying yes. She may never have acted so impulsively before. It was as if she knew this chance would never come again. Her mother was in a rest home, temporarily, and she had no trouble in duping her father with a tale of going to visit a friend for a few weeks." (Bok, 2005, pp3-4).

superstition....In Alva, Gunnar found someone with a similar belief that progress was possible but with more clearly delineated ideals and passion to put them into practice.” (Bok, 2005, p. 5)

He graduated in law in 1923 but realized that was not the career for him. Under the influence of Alva, who purchased for him Gustav Cassel’s *Theoretische Sozialökonomie*, he immersed himself in economics, reading through all issues of the Swedish economics journal *Ekonomisk tidskrift* since it started in 1899.³ In his doctoral dissertation Myrdal developed and went beyond Cassel’s work on price formation, bringing in expectations in an essential way. The role of expectations was to remain important to him throughout his analytical career, including in the coming decade when he turned to macro-monetary theory and made significant contributions in a vein that led eventually to *Keynes’s General Theory*. Interestingly, his biographer Barber (2008) picks up on his methodological stance in these early years:

“There was innovation in this procedure, but it should be noted that it was embedded in a neoclassical tradition that Myrdal was later to reject forcefully. At this early stage in his career, he was obviously comfortable with—and proficient at—abstract model building. Inherent in his intellectual style was hostility towards the institutionalist approach to the discipline with its suspicions about the usefulness of abstract theorizing.” (Barber, 2008, p. 8)

All this was to change in the coming decade as he launched a major attack at the core of neoclassical economics, and turned more and more to an institutional perspective. The opening salvo came in his *The Political Element in Development Theory*. It was published in Swedish in 1930 and in German in 1932, and in English only in 1953. So its initial impact was primarily on continental debates, especially within Sweden, where Barber (2008) and others give detailed accounts of the reception by the old guard. Myrdal’s central contention was that while the ostensible objective of economics was to be value free, as a matter of fact it was not:

“The task of economic science is to observe and describe empirical 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 to fulfil our wishes rationally. To determine what our fears and wishes ought to be, however, is outside the realm of science....We are only too well aware that throughout the past century economists, speaking in the name of their science, have been airing views on what they consider to be socially imperative....Even when the claim is not explicitly expressed, the conclusion unmistakably imply the notion that economic analysis is capable of yielding laws in the sense of *norms* and not merely laws in the sense of *demonstrable recurrences and regularities of actual and possible events*....Thus the theory of ‘free competition’ is not intended to be merely a scientific explanation of what course economic relations would take under certain specified assumptions. It simultaneously constitutes a kind of proof that these hypothetical conditions would result in maximum ‘total income’ or greatest possible ‘satisfaction of needs’ in society as a whole. ‘Free competition’ thus on logical and factual grounds becomes more than a set of abstract assumptions, used as a tool in theoretical analysis of the causal relations of facts. It becomes a political *desideratum*.” (Myrdal, 1954, pp 1-4)

However, Myrdal’s conclusion was *not* that value judgements should be excluded, but that they should be made explicit. This is carried through into his *American Dilemma, Underdeveloped Regions,*

³ Velupillai (1992, pp 133-134).

and *Asian Drama*. *American Dilemma* famously ends with the word “Enlightenment”, deliberately chosen by Myrdal to reflect his value system, about which he was explicit at the start of the volume. In *Asian Drama*, Chapter 2 is entitled “The Value Premises Chosen” and sets them out clearly and explicitly as a list of “Modernization Ideals”: Rationality, Development and Planning for Development, Rise of Productivity, Rise of Levels of Living, Social and Economic Equalization, Improved Institutions and Attitudes, National Consolidation, National Independence, Political Democracy in a Narrow Sense, Democracy at the Grassroots, and Social Discipline versus Democratic Planning.⁴ Myrdal recognizes that these are overlapping and perhaps even nested, but still thinks it important enough to be expansive in the interest of making clear the sweep and spread of value judgements and orientations which will inform and frame the positive economic analysis which will follow. Would that we were all as careful and explicit as this.

In the 1930s Gunnar, along with Alva, became deeply involved in Swedish politics and economic and social policy making. From 1933 onwards for a dozen years he served as a member of the commission on social housing. From 1935-1938 he served as a member of the population commission in Sweden. He was a member of the Swedish parliament from 1936-38. The analytical underpinning of much of this policy engagement is to be found in his 1934 book with Alva, *The Population Problem in Crisis* (Myrdal and Myrdal, 1934), developed further in various commission reports, and culminating in his Godkin Lectures at Harvard University in 1938, *Population: A Problem for Democracy* (Myrdal, 1940). It is remarkable to think that during this same period Gunnar was also engaged in his major contributions to macroeconomics and monetary policy, in analytics and in the policy arena. In 1932 he was the technical architect of the 1933 government budget proposal. He made the case for expansionist fiscal policy in a 45 page Appendix to the 1933 Budget statement to the Swedish Parliament.⁵

The central role of state intervention came through in this set of engagements, making the bridge between analytical constructs and felt political imperatives. Somewhat paradoxically from the perspective of *Asian Drama*, perhaps, the population based motivation for intervention in Sweden of the early 1900s was too low a population! The Myrdals’ central policy prescription was to support child bearing and child rearing among the poorer classes through income transfers, public housing, and the like. The proposals led to a great debate, but the conclusion was clear:

“The bulk of the legislative program was enacted in the 1937 session of the Swedish Parliament which became popularly identified as the ‘mothers and babies’ session. Most of the proposed benefits were approved with but minor modifications. A sweeping program of highly progressive taxation was also enacted. In addition, the 1910 statute outlawing discussions of contraception was struck down and discriminations against pregnant women in the labor force were banned.” (Barber, 2008, p. 59)

It is widely acknowledged that the modern Swedish welfare state was born out of these interventions in the 1930s, spearheaded by the Myrdals. But there are two elements of these engagements which are worth noting. First, it has to be said that there was a disturbing element of the population discourse, in keeping with the eugenics trend of the times. “Rational” population policy was the touchstone and the provision and encouragement of the spread of contraception methods was the key instrument. But, unfortunately, the “rationality” was extended: “A law enacted in May

⁴ These are laid out a section devoted to discussion of each, in Myrdal (1968, pp 57-67).

⁵ Barber (2008, p. 40).

1934 mandated compulsory sterilization of persons deemed incapable of consent—that is, the insane and imbecile.” (Barber, 2008, p. 60). Secondly, the panoply of interventions relied on the capability of the state to implement them efficiently without, for example, corruption undoing the intent of the policy makers. The issue of whether the state could indeed intervene effectively came to the fore in *Asian Drama’s* discussion of the “soft state.”

Much else was also going on in the development of Gunnar Myrdal’s thinking in the 1930s. One key element of this was the major shift of stance from the hot shot young neoclassical theorist in the 1920s (and his own 20s) towards institutional economics, which he had disdained as being too atheoretical. He continued to argue that facts without theory were meaningless, and indeed this was and continued to be his critique of the German Historical School, he came to have greater appreciation of the role of economic and other institutions in explaining observed phenomena, as opposed to abstract theorizing not rooted in reality.

Myrdal arrived in the US, on a Rockefeller Foundation scholarship, in 1929. It was a momentous time to be in the US, with the onset of the Great Depression. Myrdal’s macroeconomic and monetary track of thinking was clearly influenced by these events, but that is not the focus of this paper. However, he also came into contact with Wesley Mitchell at Columbia and John Commons at Wisconsin, both leading institutionalists. It is perhaps difficult now to appreciate the challenge which the institutionalist school posed to the dominant neoclassical school in the USA—both Mitchell and Commons were former presidents of the American Economic Association. Myrdal could not but be engaged in these debates in his two years in the US.

One can guess at the tugs which Myrdal felt when faced with the challenge of the Institutional School. Adair (1992) sets out the unifying principles of the school as follows:

- “-Institutions and not value are the object of economics
- The analysis of process and social change require a dynamic analysis
- To formulate realistic hypotheses, other social sciences (psychology, anthropology) must be involved, and empirical case studies must be undertaken
- The rejection of the “laissez-faire” policy as a principle of economic coordination and the necessity of social control and State intervention.” (Adair, 1992, pp 165-166.)

Thus clearly the caution on laissez-faire and the emphasis on dynamic analysis would have sat well with the young Myrdal. But the heavy emphasis on facts and case studies was a barrier to one who had started off as a theorist well versed in abstract models. Even with his iconoclastic *The Political Element in Development Theory*, in which he skewered the unthinking value assumptions of his teachers, he nevertheless worried about “facts before theory” line of argument. Indeed, *Political Element* was welcomed by members of the Institutional and German Historical School as supportive of their arguments. However, despite his criticism of orthodoxy for being value laden, and actually because of this, he was critical of these schools as well. As he noted in his Preface to the 1954 English edition translation of *Political Element*, his thinking had been evolving:

“The implicit belief in the existence of a body of scientific knowledge acquired independently of all valuations is, as I now see it, naïve empiricism. Facts do not organize themselves into concepts and theories just by being looked at; indeed except within the framework of concepts and theories, there

are no scientific facts but only chaos. There is an inescapable *a priori* element in all scientific work. Questions must be asked before answers can be given.” (Myrdal, 1953, p xli).

And since questions have implicit values, he thus cycles back to his position that the best strategy is to be explicit and upfront about values.

This, then, was the Myrdal who in the 1950s began his deep and sustained engagement with the development discourse which was to last for the rest of his life. The theoretical and methodological frameworks he took up, discarded and developed, the cycles in thinking he went through in the eventful 1920s and 1930s, his roles in establishing the Swedish welfare estate in the 1930s and 1940s, all of these shaped the man who approached *Asian Drama*. But what was the development terrain he found? The next section takes up that part of the story.

3. The Development Terrain in Mid-Twentieth Century

The story of Gunnar Myrdal's life up to the start of his work on *Asian Drama* is not yet complete. Of course in the late 1930s and early 1940s he worked on the massive project *An America Dilemma*, which helped to frame the civil rights debate in the US for a generation, and in which he displayed the depth and breadth of analytical capacity and moral clarity expected from him. The project also highlighted, and further sharpened the methodological perspectives we discussed in the previous section. In the mid-1940s he returned to Sweden and served another stint as a Member of Parliament. But it was starting in 1947 that his engagement with the global economy intensified and his vision can truly be said to have turned to developing countries.⁶

From 1947 to 1957 Myrdal served as the Executive Secretary of the United Nations Economic Commission for Europe (ECE). Similar Commissions were set up for Latin America and for Asia at about the same time, headed by Raul Prebisch and by P. Lokanathan respectively. Myrdal's institutional focus was of course on the war torn economies of Europe and, increasingly in the 1950s, the East-West divide across the Iron Curtain. He is well known for having set up an excellent research group. The first Director of the Research and Planning Division was none other than Nicholas Kaldor and the group was famously given the freedom to produce research without worrying about its political implications, which Myrdal would, and did, handle.

For our purposes, however, what is interesting is that the ECE period also led to increasing engagement with the problems of development in general, albeit initially in the international context. He gave many lectures on the topic and published widely, including for example *An International Economy: Problems and Prospects* (Myrdal, 1956). In 1955 Myrdal delivered the Anniversary Commemoration Lectures at the National Bank of Egypt, entitled *Development and Underdevelopment: A Note on the Mechanism of National and International Economic Inequality*. These Cairo lectures formed the basis of his book, *Economic Theory and Underdeveloped Regions* (Myrdal, 1957), which came out as he began his leadership of the team working on *Asian Drama*, a project funded by the Twentieth Century Fund. *Underdeveloped Regions* was thus a precursor to *Asian Drama* and was, in effect, an early statement of the development terrain as Myrdal saw it before embarking on his monumental project.

But the development terrain, and the ideas bubbling in the discourse, had a life of its own before Myrdal shook the ground with *Asian Drama*. What did this terrain look like in the 1940s, 1950s and 1960s? Much, but not all, of the answer is in *Underdeveloped Regions* itself. Since very few people nowadays read Myrdal in the original, I will take the liberty of quoting at length from this volume as necessary, to establish Myrdal's thinking as he approached the writing of *Asian Drama*.

The developing world as seen from the vantage point of the 1950s presented sharp and gloomy contrasts which colored the thinking of the development discourse. A very clear statement of this is to be found in *Underdeveloped Regions*:

"...more than two-thirds of the people in the non-Soviet world live in countries where real income per head is only a very tiny fraction of what it is in the highly developed countries and, indeed, in

⁶ Of course, always with Myrdal, there are precursors. Already in a publication in Swedish in 1944 he had begun to discuss international cooperation—see Appelqvist and Andersson (2005, p. 188).

most cases is much smaller than it was in those countries before they started to develop rapidly a century or more ago.” (Myrdal, 1957, p 3)

...there is a small group of countries which are quite well off and a much larger group of extremely poor countries; that the countries in the former group are on the whole firmly settled in a pattern of continuing economic development, while in the latter group progress is slower, as many countries are in constant danger of not being able to lift themselves out of stagnation or even of losing ground so far as average income levels are concerned; and that, therefore, on the whole, in recent decades the economic inequalities between developed and developing countries have been increasing.” (Myrdal, 1957, p 6)

These words do not of course fully resonate with the realities of today. The dramatic growth of many Asian economies in the last three decades, led by China and India but also including countries such as Bangladesh and Vietnam, does not sit well with the perspective that “many countries are in constant danger of not being able to lift themselves out of stagnation or even of losing ground so far as average income levels are concerned”. But that was the world that was, and it gave rise to the development doctrines of its time.

These development doctrines were also of course creatures of history. The world had just gone through a deep depression in the 1930s, rescued by public expenditures of the war. Faith in the efficacy and effectiveness of public action was strong. Keynesianism ruled the day. Expansion of the welfare state was unquestioned. As Myrdal (1956) said: “the concept of the welfare state, to which we are now giving reality in all the advanced nations, would have to be widened and changed into a concept of a “welfare world”.” (Quoted in Barber, 2008, p. 112). At the same time there were the income realities of the gap between the developed and developing worlds. Analysis and policy discourse naturally ran along two, sometimes related, tracks—a within country focus and a global cross-country perspective.

The within country focused discourse on development in mid twentieth century had several strands, including the perennial one of balance between market and state. The need for the state was evidenced by market failures of different types which held back economic growth. Perhaps the most prominent proponent of this perspective was W. Arthur Lewis, who became a dominant figure in development economics in the 1940s, 1950s and 1960s, and indeed won the Nobel Prize in Economics in 1979, five years after Myrdal. Lewis’s contribution to development thinking through his famous surplus labor theory is well known and there is not need for us to rehearse that theory here (Lewis, 1954). More important, in the context of *Asian Drama*, is the strong conclusion on the role of state intervention in accelerating industrialization. Throughout the 1940s, Lewis fought a battle with market oriented development specialists, especially on the Colonial Economic Advisory Committee. Here is how he characterized Sydney Caine, head of the Economic Division of the Colonial Office, in a 1944 memorandum:

“...he is a religious devotee of laissez-faire, and his headship of the Economic Department at this juncture is fatal. . . . [his approach] is fatal not only in the decisions he makes, especially on secondary industry, on marketing and on co-operative organisation, but also in the appointments he recommends to important jobs in the Colonies, for which he chooses almost invariably people as laissez-faire as himself.” (Quoted in Mine, 2006, p 335).”

However, the tension between letting markets be free and an overly interventionist state became clear when Lewis moved in 1957 to be the resident adviser to Kwame Nkrumah, leader of the newly independent Ghana. Lewis's biographer Tignor (2006) quotes the following letter from Lewis in 1958:

"It makes inadequate provision for some essential services while according the highest priority to a number of second importance....Alas, the main reason for this lack of balance is that the plan contains too many schemes on which the Prime Minister is insisting for "political reasons.".....In order to give you these toys, the Development Commission has had to cut down severely on water supplies, health centers, technical schools, roads....It is not easy to make a good development plan for £100 million if the Prime Minister insists on inserting £18 million of his own pet schemes of a sort which neither develop the country nor increase the comfort of the people." (Tignor, 2006, p. 167).

As argued by Kanbur (2017), the Ghana period in Lewis's life merely revealed his struggles in balancing state and market, cognizant on the one hand of market failures, and on the other of state failures (Lewis, 1965). This struggle is also seen in *Underdeveloped Regions* and in *Asian Drama*.

A second, and not unrelated, strand of development thinking in the mid twentieth century was on the need for a "big push" for industrialization. Rosenstein-Rodan (1943) is commonly cited as the originator of the idea, but there were others who also espoused it. Here is how it was summarized half a century later in a well-known exposition:

"According to Rosenstein-Rodan, if various sectors of the economy adopted increasing returns technologies simultaneously, they could each create income that becomes a source of demand for goods in other sectors, and so enlarge their markets and make industrialization profitable. In fact, simultaneous industrialization of many sectors can be self-sustaining even if *no* sector could break even industrializing alone. This insight has been developed by Nurkse (1953), Scitovsky (1954), and Fleming (1955) into a doctrine of balanced growth or the big push, with two important elements. First, the same economy must be capable of both the backward preindustrial and the modern industrialized state. No exogenous improvement in endowments or technological opportunities is needed to move to industrialization, only the simultaneous investment by all the sectors using the available technology. Second, industrialization is associated with a better state of affairs. The population of a country benefits from its leap into the industrial state." (Murphy, Shleifer and Vishny, 1989, p. 1004).

Thus the idea that growth and industrialization were intimately linked, and that industrialization required significant state intervention, was deeply ingrained in the development discourse of the 1940s and 1950s. It is not surprising then that they were present in Myrdal's *Underdeveloped Regions*, albeit that for him they flowed from a lifetime of thinking about economic processes and in engagement with creation of the Swedish Welfare State. His thesis of "circular and cumulative causation" fits in well with arguments for a big push:

"...my starting point is the assertion that the notion of stable equilibrium is normally a false analogy to choose when constructing a theory to explain the changes in a social system....In the normal case a change does not call forth countervailing changes but, instead, supporting changes, which move the system in the same direction as the first change but much further. Because of such circular causation a social process tends to become cumulative and often to gather speed at an accelerating rate." (Myrdal, 1957, p. 13).

In keeping with these tenors of the times, and in light of the perceived success of growth in the Soviet Union, planning to accelerate growth was very much in vogue in the 1950s. A leading example is newly independent India, in many ways a crucible of the development discourse at that time. The first five year plan, for the period 1951-56) sets out the terms as follows:

“Given these basic conditions of rapid and sustained progress, institutional as well as others, the key to higher productivity and expanding levels of income and employment lies really in stepping up the rate of capital formation. The level of production and the material well-being a community can attain depends, in the main, on the stock of capital at its disposal, i.e., on the amount of land per capita and of productive equipment in the shape of machinery, buildings, tools and implements, factories, locomotives, engines, irrigation facilities, power installations and communications.” (Government of India, Planning Commission, 1951, Chapter 1, para 15).

This plan, and even more so the second five year plan for 1956-61, emphasized development of heavy industry with state investment. Myrdal in *Underdeveloped Regions* was already a convert to planning, of course:

“...the matter is sometimes confused by an altogether unfounded counterposition of central state planning and “free enterprise” and by assuming that planning creates rigidities.... It should be clear, however, that if an underdeveloped country really succeeds in starting and sustaining by its policy interferences an upward cumulative process of economic development, this will provide more not less space for what private enterprise such a country possesses or is able to foster.” (Myrdal, 1957, pp 81-82).

However, as already alluded to, he was concerned about the nature of the state and what we would now call capture of the state by elite groups:

“...most underdeveloped countries are up against state institutions of social and economic inequality which often cannot easily be broken. Frequently the state is itself initially in the hands of social groups which have an interest in preserving the traditional social chasms.” (Myrdal, 1957, p. 83).

The failure of state interventions was thus already a theme in his writings in the 1950s, a theme which was to emerge ever more strongly in the decade to come, culminating in the strong positions he took up in *Asian Drama*.

Alongside the country focused development discourse, which led to discussions of surplus labor and the big push and economic planning there was a second strand which exercised development thinkers and practitioners in the mid twentieth century. This was the international dimension of trade between rich and poor countries. As we shall see there was surprisingly little on this in *Asian Drama* itself, but Myrdal’s other writings, before and after, dwelt on this dimension in some detail. It was clear that he was greatly influenced by Raul Prebisch, the head of the sister institution to ECE, CEPAL. In his 1956 book *An International Economy: Problems and Prospects*, Myrdal quotes Prebisch at length and approvingly.⁷ Most famously, of course, Prebisch is known for the view that primary commodity exporting developing countries were at a disadvantage because these commodities would be demanded less in relative terms as world incomes grew, leading to a downward spiral of stagnation for these countries. Here is how Myrdal states this position in *Underdeveloped Regions*:

⁷ See Barber (2008, p. 112).

“The main positive effect of international trade on the underdeveloped countries was in fact to promote the production of primary products; and such production, employing mostly unskilled labor, has come to constitute the bulk of their exports. In these lines, however, they often meet inelastic demands in the export market, often also a demand trend which is not rising very rapidly, and excessive price fluctuations.” (Myrdal, 1957, p. 52).

The way out of this trap for Prebisch was industrialization so these countries could partake of the benefits of growing demand for manufactures as world incomes grew, but the break through into industrialization would in turn need a big push with trade protection and planning.

Such, then, was the development terrain and the development discourse as Myrdal left the ECE in 1957 began his decade long engagement in writing *Asian Drama*. The problems of the free market had been laid bare in the Great Depression of the 1930s, high growth rates in the Soviet Union seemed to highlight the benefits of central planning, the “export pessimism” of Prebisch and others suggested industrialization as the way out, and central planning with the state directing investment and trade to orchestrate the big push was the instrument on everybody’s fingertips. There were concerns about the heavy hand of the state, expressed by Lewis (1965) and to some extent by Myrdal (1957). But these seemed to be secondary to the primary imperative of addressing market failures directly and vigorously, when *Asian Drama* burst upon the scene in 1968.

4. *Asian Drama* and After

Gunnar Myrdal's Preface to *Asian Drama* starts with the words "HABENT SUA FATA LIBELLI – books have their own destiny....," and he added, "...even while they are being written and before they are published."⁸ In fact the full Latin expression, "Pro captu lectoris habent sua fata libelli-- According to the capabilities of the reader, books have their destiny", may be more appropriate for our purposes, since *Asian Drama* has meant many things to many people since it came out fifty years ago in 1968. Its full title, *Asian Drama: An Inquiry into the Poverty of Nations*, suggested an epoch making tome, and it hit the development discourse like a thunderbolt, but not necessarily to universal acclaim. It was reviewed by most of the leading lights of development when it came out, and each saw different elements to praise or criticize. After a brief account of the contents of the volume this section presents a selection of these reviews to start a discussion of the impact of *Asian Drama* in its time and following on to this day.

Asian Drama is famously long, Myrdal himself saying that "The length is abominable."⁹ Its close to 2,500 pages are spread over three Volumes, with seven Parts, 33 Chapters and 16 Appendices. Part of the reason for the length, Myrdal implies, is because of his

"...firm conviction that economic problems cannot be studied in isolation but only in their demographic, social, and political setting....I felt at the outset of the study that only by means of a broad institutional approach could I understand and explain the economic underdevelopment of the region...It is not altogether a pretentious metaphor when I describe my endeavor to apply an institutional approach in this study as an attempt to analyze the development problems of South Asia in the manner that Adam Smith studied England's development problems of two hundred years ago." (Myrdal, 1968, pp ix-x).

And there you have it. The self-stated scope and ambition of the project to match Adam Smith brought forth reviews which assessed the outcome with a similar standard. But first briefly to the contents of the three Volumes.

After a long Prologue, Volume I is in three parts—Introduction, Political Problems and Economic Realities. Part One sets out the broad scope of the study and, perhaps expectedly from the author of *The Political Element*, a statement in Chapter 2 of "the Value Premises Chosen", whose "Modernization Ideals" has been listed in the previous section. Part Two sets the stage at the coming of independence, including the partition of India and Pakistan, followed by separate chapters on each of India, Pakistan, and a final chapter on Ceylon and South East Asia. A central theme in these chapters, perhaps the dominant theme, was one which Myrdal had presaged in *Underdeveloped Regions*, the disconnect between the ruling elites and the masses:

"In contrast to the poverty stricken masses, the national political leaders were all members of the privileged upper class, and their new positions of responsibility and power rapidly invested them with still greater privileges...Because of the narrow social base of the elite and the absence of any pressure from the masses, the leaders were under no compulsion to govern vigorously and disinterestedly." (Myrdal, 1968, pp 273-275.)"

⁸ Myrdal (1968), p. vii.

⁹ Myrdal (1968), p. x.

Following this discussion of politics, Part III of Volume I is in many ways a conventional laying out of the economic aggregates on demography, national income, trade and inequality.

Volume II has three parts: A Third World of Planning, Problems of Labour Utilization, and Problems of Population Size. The two Chapters on Population in Part VI are perhaps what one might expect from the author of the reports on Swedish population policy three decades previously. Similarly, the themes on planning had already been well signaled in Myrdal's earlier work—on the one had welcoming it as an appropriate response to market failure in developing countries, but on the other hand significant concern about state failure. The last Chapter in this section, "Corruption—Its Causes and Effects" broke new ground in the development discourse of its time:

"Although corruption is very much an issue in the public debate...it is almost taboo as a research topic and is rarely mentioned in scholarly discussions of the problems of government and planning...Embarrassing questions are avoided by ignoring the problems of attitudes and institutions...." (Myrdal, 1968, pp 938-939).

Myrdal goes on to discuss Facts, Causes, Consequences and Remedies for Corruption. This was indeed a departure from standard development studies of the time and can perhaps be argued to have been one of the ones with lasting impact and whose traces can be found in the debates and discourses of mid-twentieth century. Part V in Volume II also played a role in the discourse of the day by highlighting the role of agriculture and agricultural productivity in raising living standards, titling the balance away somewhat from the industrialization emphasis to be found in the discourse at that time, as discussed in the previous section.¹⁰ And, although the term "informality" does not appear in the subject index, Chapter 21, on "Unemployment" and "Underemployment" can lay claim to have raised the conceptual and statistical issues we are now familiar with, well before the "discovery" of the informal sector by the development discourse in the 1970s.

Volume III, with only a single Part, Part VII, is devoted to what we would these days call Human Development. It has five chapters covering different aspects of Health and Education. Myrdal built on ongoing development in the "Human Capital" approach which was becoming dominant at the time, but went further in expected directions:

"Once economists identified the residual factor in economic growth with investment in man...this approach derived support from various research undertakings that were themselves inspired by it...But the model itself is based on a number of unwarranted assumptions...The model also implies that prevailing attitudes and institutions, items in the level of living other than educational facilities, are of no consequence to the problem...." (Myrdal, 1968, pp 1541-1546).

How was *Asian Drama* received when it appeared fifty years ago? His biographer Barber (2008) has compiled an account of the most prominent reviews:

"Thomas Balogh...was lavish in his praise...Kenneth E. Boulding, President of the American Economic Association...spoke approvingly of the "unsparing...criticism of those Western economists and social scientists who think that development is equivalent to technology and who are unable to

¹⁰ It should be noted, with some surprise perhaps, as to how little mention is made of Arthur Lewis's surplus labor model of development. Indeed, Lewis is mentioned in this context substantively only in Appendix 3 and Appendix 6, and that too only in footnotes.

recognize the obstacles created by ancient tradition, class structures and especially by the existing power structures of society....Writing in the *American Economic Review*, George Rosen (then with the Asian Development Bank)...though the prognosis to be “gloomier...than justified. He drew attention to prospects for increasing exports and “increase in farm output with new technologies, especially with new varieties of seed....,” and noted that “some of these technological breakthroughs have only begun to have their effects since the book went to press in 1966.” (Barber, 2008, pp. 14-142.)

The praise and criticism also reflected the well worn debates on market versus state, and the position of each reviewer along the spectrum. While Thomas Balogh praised *Asian Drama*, prominent pro-market economist Peter Bauer was equally forthright in criticism:

“P.T. Bauer of the London School of Economics spoke for the school of economists suspicious of government interventions and of non-market solutions to economic problems. “Even more than other writers on development,” he wrote.” Professor Myrdal regards material progress, including apparently the transformation of values and conduct, as dependent on state action. The defects of this approach are even more pronounced in the underdeveloped world than elsewhere. In these countries, far more than in the West, the government is primarily a section interest.”” (Barber, 2008, p. 142).

Of course Myrdal himself would have agreed with the last sentence; after all, he was the one who had written about “the narrow social base of the elite” and had brought the issue of corruption the fore in his formulation of the “soft state”, by which he meant “an unwillingness among the rulers to impose obligations on the governed and ac corresponding unwillingness on their part to obey rules laid down by democratic procedures.” (Myrdal, 1968, p. 277). And yet he recognized the need for state interventions given market failures, thereby restating the eternal question in political economy, of balance between state and market.¹¹

What is interesting is how little there is in *Asian Drama* on global questions. Sure, in Part Three of Volume I, Chapter 13 addresses “Foreign Trade and capital Flows,” and makes arguments familiar from *Underdeveloped Regions* and *An International Economy*. And there are of course long forays into colonialism and what it wrought. But the inequities of the global system as a whole is not treated at length or systematically in *Asian Drama*, which is more focused on within country issues, and in making the methodological perspective of institutionalism a centerpiece. But it was an issue to which Myrdal returned with great force and vigor in the rest of his life after *Asian Drama*. In particular, he took up the topic in his Nobel Prize Lecture, “The Equality Issue in World Development” (Myrdal, 1975), which had a central focus on development assistance. In fact, the development assistance issue is an interesting and important lens through which to view changes in Myrdal’s thinking, and evolution of the development discourse, before and after *Asian Drama*.

In his Nobel Lecture Myrdal began by chiding his former *Underdeveloped Regions* self for minimizing the role of 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

¹¹ For further discussion of this as the central question in political economy, see Kanbur (2016)

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." (Myrdal, 1975).

He then went on to say why he thought it had become an important issue:

"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." (Myrdal, 1975)

Among these changes were the rapid growth in population, economic stagnation, and pressures on natural resources—Myrdal was writing then in the aftermath of the OPEC oil prices rises and the global stagflation which followed.

Myrdal became a strong champion of foreign aid in the decade and a half after the publication of *Asian Drama*, influencing Sweden's own strong stance on development assistance. However, in something of a reversal towards the end of his working life he began to have second thoughts, or at least began to sound cautionary notes. The reasons relate again to the nature of the state and politics in recipient countries. Just as he confessed in the mid-1980s that his views on aid in the mid-1950s were wrong, he confessed in the mid-1980s to "growing pangs of conscience" (Myrdal, 1984) because the aid given was being diverted by the ruling elites. He argued for greater control of the flows and their uses by the donors--conditionality, in other words. One sees again the tensions between market failure which led to an argument for state intervention and development assistance, and state failure which subverted the good intentions of the intervention to benefit powerful interests.

Myrdal was thus not at all beyond questioning his premises, sometimes in succession in a long engagement with an issue, and he was known to change his mind. However, perhaps the biggest turnaround, or at least the biggest questioning of his decade long project, might have come to him only after his death in 1987, three decades ago now, and three decades after he started the *Asian Drama* project. As noted in the previous section, he had already signaled what he saw as the dire predicament of the poor countries of the world in *Underdeveloped Regions*, as being "in constant danger of not being able to lift themselves out of stagnation or even of losing ground so far as average income levels are concerned" (Myrdal, 1957, p. 6), a sensibility and starting point he brought to *Asian Drama*. Much of the thrust of *Asian Drama* was an attempt to answer why this was the case, why these countries, where the bulk of humanity lived, was not able to break out of a low income, low growth, trap and to do so using an institutionalist framework which went beyond conventional narrow economic thinking.

But what would now face the Myrdal of *Asian Drama* is the remarkable growth in the very region in which *Asian Drama* was set. There is no need to detail here the historically record breaking growth performance of China, followed by a slew of countries including India, Vietnam, Bangladesh,

Indonesia, Philippines, and even Pakistan and Sri Lanka (Ceylon as it was then). Inequality within these countries has increased along with growth, but income poverty as conventionally measured has plummeted in Asia as a whole and, given the relatively anemic growth of the rich countries, global inequality as conventionally measured has also declined.¹²

This growth performance of Asia was not predicted nor expected in *Asian Drama*. The social structures and constraints so emphasized by Myrdal, partly as a rebuke to his own discipline of economics, surely did not undergo a rapid dramatic change in the two decades after the publication of *Asian Drama* and the take-off of Asian economic growth. But openness and trade did explode and Asian countries rode the wave of exporting to the demands of rising global incomes to raise their own levels of living. Rising inequality in these countries is and was a reflection of precisely those structural inequalities highlighted by Myrdal in *Asian Drama*. But one feels that the Asian growth turnaround would have to be the centerpiece of an imagined next magnum opus by Myrdal for our time: *Asian Drama in the Twenty First Century*.

¹² For Asian growth, poverty and inequality over this period, see Kanbur and Zhuang (2012).

5. Conclusion: Asian Drama and The Development Discourse in the Twentieth First Century

To conclude with the beginning of *Asian Drama*, “HABENT SUA FATA LIBELLI – books have their own destiny...”¹³ How much more so with books which are classics, so much so that they are more referred to than read. So far as one can tell, *Asian Drama* has been much cited. At the time of writing this paper, Google Scholar shows 4,876 cites. This includes citation in such well known publications as Krueger (1974), Fukuyama (1992) and Acemoglu, Johnson and Robinson (2005). But, as I note in the Introduction, my anecdotal experience is that young development economists do not cite *Asian Drama* very much, and if they do, they do so in perfunctory fashion. However, strong traces of *Asian Drama*, and of the Myrdal before and after *Asian Drama*, are to be found in in the Twenty First Century development discourse. This is because the issues Myrdal raised, throughout his life but also in *Asian Drama*, are fundamental ones not only for development but for our discipline of economics and for the broader terrain of political economy in the Twenty First Century. I conclude by highlighting three such themes.

The first of these is of course the role of values in analysis. Myrdal argued, and on this he never wavered after first staking out his claim in the 1930s, that economics is by necessity value laden. He argued that although there had been vigorous debate on this in the nineteenth century, the economics of his time had tried to present itself as value free, in an attempt to achieve a status comparable to that of natural science. But this was manifestly not the case, and could not be the case given the nature of the subject. Rather than pretend otherwise, he proposed, and carried out his own proposal very thoroughly in *Asian Drama*, that the values should be made explicit. I think this is a major strand of his thinking and we would do well to take it to heart.

The second theme which emerges from our study of *Asian Drama* in the overall context of Gunnar Myrdal’s life work is that of the absolute necessity of going beyond narrow economic principles to understand society, and even to understand the economy itself. Throughout his work Myrdal maintained a healthy respect for the core tents of economics as a discipline, indeed some of the reviews of *Asian Drama* noted this well.¹⁴ But his main thrust is the need to understand fully the social, cultural and political context when trying to explain economic facts and when developing economic policy prescriptions. This comes through most strongly in his discussions of the roles of the ruling elite, and of the gap between formulation and implementation of policy in what he called the “soft sate.”

But ruling elites, corruption and soft states bring to the fore what I consider to be the third lasting theme in *Asian Drama* and in Myrdal’s life work. This is the constant struggle to find the balance between state and market. The struggle was famously characterized by Edmund Burke as being:

"What the state ought to take upon itself to direct by the public wisdom, and what it ought to leave, with as little interference as possible, to individual discretion." (Burke, 1795)

I have argued in Kanbur (2016) that this is in effect the eternal question of political economy. Keynes (1926) alluded to this in his equally famous critique of the laissez-faire doctrine.¹⁵ The see-saw between

¹³ Myrdal (1968), p. vii.

¹⁴ As Barber (2008, p. 141) notes, Rosen’s critique in the *American Economic Review* also included the interesting observation that “in his stress on the need for a more institutional analysis...he himself uses traditional economic concepts centering about the market and the price system as the basis for his own policy suggestions”.

¹⁵ For a detailed discussion, see Kanbur (2016).

an interventionist stance in the face of manifest market failure, and a pull-back upon realization of state failure, and where the balance is struck, is seen in Arthur Lewis's struggles in Ghana.¹⁶ It is also seen in Gunnar Myrdal's specific struggles with himself and his cycles of thinking on foreign aid, and on the constant back and forth between wanting planning as a way out of an underdevelopment trap, and planning itself as a trap giving hostages to the elites and to the soft state.

The development vista has changed dramatically over the last half century. But the fundamental tensions, including the three themes discussed here, are still with us. Myrdal's struggles with these tensions are his ultimate legacy to the development discourse of the twenty first century.

¹⁶ Kanbur (2017).

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