

An economist argues that economic change is the result more than the cause of political and moral decision

The Sovereignty of Politics

Gunnar Myrdal

Just so there is no misunderstanding: I do not believe economic policies can make much of a contribution to peacekeeping. During the nineteenth century and up to the present there has been a tendency to stress too much the economic factors in international relations. Liberal economic theory, from the classical writers on, is in this respect strikingly similar to what we now identify as the "Marxist" tradition. It is glibly assumed in both camps that trade is an important contributor to peaceful relations on the political level. That trade and economic relations generally worked for peace was an important corollary to the free-trade doctrine, and as a general proposition it now receives almost universal acclaim.

I have learned from my practical and political experience as Executive Secretary of the United Nations Economic Commission for Europe during the first ten years after its inception in 1947, where the focus was on trade, particularly East-West trade, and also from my scientific studies before and since that time, that there is an element of reason in the forementioned proposition. But that element is very small and heavily conditioned. The much more important causal relationships, I believe, go in the opposite direction—a low level of trade patterns reflects political conditions that are not favorable for peace. As I have often had occasion to stress, politics is sovereign. For example, political divisions between states, even when they are most "unnatural" barriers to trade and other economic relations, in time become "natural"; on both sides, the economics adjust themselves to political fact. Big cities such as Jerusalem or Berlin can be brutally divided by political demarcations of walls or zones of no-man's land.

GUNNAR MYRDAL, author of *The American Dilemma* and *Asian Drama*, will be a frequent contributor to *Worldview*. His "Were Gandhi to Return" appeared in the August issue.

New "unnatural" national boundaries can be created, such as those between India and Pakistan after partition, almost extinguishing long-established trade and financial links. The political fiat can give a permanent character to such broken links, thus making the "unnatural" "natural"—or, at least, "more natural."

While political forces can strangle economic relations almost instantaneously, reviving the victim is a much more difficult and time-consuming process. Even with a new political situation, a full restoration of the *status quo* in economic relations is sometimes impossible, for the adjustments of the economics to the lower level of trade and financial relations are bound to have changed resource allocations in the direction of self-sufficiency.

The tragic 1971 conflict involving Pakistan, Bangladesh and India implies, of course, tremendous obstacles to development and the danger of increased misery in the whole region, one of the poorest in the world. But that conflict also implied grave dangers to peace, indeed much greater than apartheid in South Africa, for example. And yet the Security Council of the United Nations seemed to be impotent. Clearly, that terrible conflict was not in any major way caused by economic conditions or changes but by political ones. Writing this during a stay in Austria I cannot refrain from pointing out that the split of Austria into zones and the many constraints on the Austrian economy after the war had no economic causes. Similarly, the State Treaty, which returned to Austria its full political freedom, was a political agreement, including important economic clauses, that opened the way to freer economic relations. Here again, economic relations and economic politics did not make possible improved political relations.

The priority of political conditions is essential to understanding the development of East-West economic relations in Europe. Going back to the inter-war period, the trade and financial relations that the

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Soviet Union had with the rest of the world (including countries now belonging to the Eastern bloc) were on relatively low levels. The reason is to be found in the strained political relations that country had with virtually everyone else following the October Revolution. Economic realities adjusted to political conditions and came to seem quite "natural" both to the Soviet Union and to others. There were, from time to time, economic changes, but these were responsive to changes in political circumstances.

Once again the cause was political when East-West trade and financial relations remained low, and even went down further, after World War II. The cause, of course, was the steadily intensified cold war and, more specifically, the strategic export licensing control policy of the United States, which was also accepted, under pressure, by the West Europeans and most other countries dependent upon the favor of the United States. All political.

This Western policy was probably not unwelcome to Stalin. During those years of solidifying the Eastern bloc, Stalin no doubt found it useful to be able to point out to the satellite countries that, for their development and defense, they had to rely only upon themselves and the USSR. Thus, the intensifying cold war became a process of circular causation with cumulative results; indeed, there was almost, one might say, a "cooperation" between the two superpowers, each counting on the other to keep the conflict going.

Then there were a number of political changes: Stalin died in 1953; on the Western side, Marshall Plan aid petered out, and even U.S. military aid to Western Europe began to decrease. Western European countries used their measure of regained independence to liquidate the very inclusive COCOM embargo list. So far as Europe is concerned, COCOM and the remaining list of forbidden exports are now more of a nuisance than a serious trade barrier. Because on both sides of the "iron curtain" there was now an increasing willingness to trade across political barriers, I could in 1954 call the first EEC Trade Consultation. There, government representa-

tives could meet, bilaterally as well as multilaterally, in the guise of being mere consultants in the secretariat come together to discuss increased trade. Between some of the parties, relations at that time were almost nonexistent. Through these consultations and through subsequent bilateral negotiations in the several capitals, East-West trade accelerated, though it still remains at an "unnaturally" low level.

While political developments made possible a rise in trade between the blocs, it is also true that increased trade has, to some extent, further reduced political tension. This illustrates circular causation with cumulative effects, but my chief point remains that in this process political changes play the leading role and the development of trade is responsive in nature. Further political change is required if East-West trade is to be liberated in reaching its full potential. Resistance still comes mainly from the political sphere.

There is another world problem of even wider dimensions than East-West trade: the development of underdeveloped countries. One idea in particular was crucial in the very early stages of the development of the national Welfare State in Western nations. The same idea is now applied to the world scene. The idea is that aid to the poor constitutes a sort of insurance against violent revolt. For this reason, we are told, aid to the poor countries is in the interest of the rich countries. Almost every statement about the relations between developed and underdeveloped countries made by statesmen, journalists and, I am sad to say, often by professional economists, contains the glib assertion that the poor countries must be aided in order to preserve peace in the world. Development aid represents "economic measures for the safeguard of peace."

The assumption is that reasonable progress in economic development will make poor nations more peaceful toward each other and toward us in the rich countries. The thesis is an entirely unsupported rationalization of how people who are well off think they would feel and act if they lived in misery and saw no hope for an improvement. The facts provide no evidence for the rationalization. If any generalization may be ventured it is that people get restless and rebellious when they are moving up, but not fast enough. Some scholars have constructed models and collected selected evidence to "prove" this somewhat different but equally glib theory. They have presented their theory as valid for racial tension in Detroit or Newark, for the Sukarno "confrontation" with Malaya and, in fact, for rebellions and wars almost everywhere. One-factor tension theories, however, are notoriously uncritical in their approach to empirical facts.

Equally unsupported by serious research is yet another theory often asserted by economists in developed countries when seeking to impress politicians

and the general public with the necessity of giving aid. The theory is that underdeveloped countries will become more "democratic" if they experience economic progress. What "democracy" means in largely illiterate countries where the masses are apathetic and uninformed about their interests, and still less organized to protect them, is an enormously complex problem. But, given almost any definition of democracy, there is no empirical evidence for the theory that "democracy" is dependent upon economic progress.

The associated notion that democracy is favorable to peace, particularly between countries, is quite obviously false. In the developed countries where we can more meaningfully speak of democracy, we have time and again seen how the people, especially at the beginning of an armed conflict, have been as belligerent, and sometimes more so, than their governments and other establishments. That people as people always favor peace is, unfortunately, not true. That underdeveloped nations would, given the chance, be more peaceful than the rest of us, is not likely; at least it cannot be substantiated as a general proposition.

Supporting the whole range of casual theories about peoples' political reaction to economic realities are the assumptions surrounding the "revolution of rising expectations." The apparently more learned call it the "demonstration effect." This theory is, incidentally, but an extension of Marx's theory of the political effect of the impoverishment of the workers. In order to lead to rebellion, actual impoverishment would, according to this modern theory, not be necessary; what is required is merely the failure to realize expected improvement. To Marx's defense, it should be noted that he was careful not to apply his theory to the *Lumpenproletariat*. Marx aside, it should be stressed that no honest empirical research has even been forwarded in support of this theory. Again, it is simply a rationalization of how people who are well off, whether in the developed or the underdeveloped countries, believe *they* would behave were they among the poor masses.

The "revolution of rising expectations" may apply to that tiny upper class, including the so-called "middle class" of the "educated" in underdeveloped countries. Representatives of underdeveloped countries in intergovernmental organizations and international gatherings, who belong, of course, to their intellectual élite, certainly speak in good faith about the "revolution of rising expectations." It may well be their political reaction to economic progress or lack of progress, and it is understandable that they project their reaction onto their people. Furthermore, since underdeveloped countries, quite apart from what their constitutions say, are usually ruled by shifting alliances among the upper strata, the perceptions of

the élite are important for how their countries behave politically and militarily in international relations.

Having said this, however, we must continue to ask: (1) To what extent do these oligarchies take into consideration only the economic progress experienced by the tiny urban middle and upper class, and to what extent is their political behavior also motivated by a vision of progress that includes the rural and urban masses? (2) What degree of economic progress is going to satisfy either the élite or the masses, thus, presumably, making them more peaceful? In fact all these grand theories about the relation between economic progress and peacefulness are utterly devoid of true knowledge and irrelevant to both the problem of peace and war between countries and to peace or rebellion within countries.

More relevant to the issue of peace is the nervous truce maintained between the developed countries themselves. The balance of terror means that a full-scale war between them can no longer be won by anyone in any meaningful sense. Even minor powers must avoid the risk of wars between one another and certainly with the superpowers. It is not surprising that in this situation the majority of the weaker developed countries has chosen to be integrated in political and military alliances with one or another of the superpowers. We all know the horrifying uncertainties in this precarious balance of power, as we also know that the rapidly rising armaments expenditures are destroying the world economy. But for the time being there is peace among the developed countries.

On the other hand, we witness everywhere in the underdeveloped world outbreaks of violent rebellion and frequent wars or threats of wars between countries. This contrast between rich and poor worlds is most ominous and calls for relentless efforts to bring peace to the great majority of humankind in the underdeveloped world. Instead of undertaking such efforts, however, the rich countries—or at least some of them—have spurred the unrest in the underdeveloped world.

Going back to colonial times, the metropolitan countries did prevent civil wars within their colonies. But they left a legacy of potential conflicts by their frequent exploitation of ethnic and religious animosities within colonies, thus poisoning "international" relations when these colonies later emerged as independent nations. Sometimes the colonial powers isolated groups from one another, insisting that they should line up, economically and culturally, with the so-called mother country. Then too, after World War II some developed countries, such as France and the Netherlands, conducted devastating colonial wars to preserve their dominance. The United States early supported in a massive way the French colonial war in Vietnam. The sad consequences of that political and military decision are still being unfolded before

the eyes of an increasingly informed and horrified world public.

There are indeed elements of neocolonialism in the economic relations with the underdeveloped countries. But much more important is the inconsiderate pursuit of political and militarily strategic interests. The two superpowers—assisted to some extent on the Western side by France and Britain, traditionally still called great powers—have spread their network of political and military alliances throughout the underdeveloped regions. This network has often shattered real possibilities there for economic and other forms of cooperation. The superpowers have used aid to build up satellite systems among underdeveloped countries. They have encouraged the use of scarce resources for procuring armaments and have been much more generous in offering military rather than real economic aid. Even the many underdeveloped countries who want and pretend nonalliance have been drawn into the game and have become heavily dependent upon the superpowers.

Having become pawns in the cold war, a main burden of that world conflict is now visited on the underdeveloped countries. While the superpowers dare not go to war with each other, and while other developed countries find compelling reasons not to break the peace, it is apparently deemed less dangerous to permit, or even to spur, wars in the underdeveloped world. Thus the conflict in the Middle East has taken on the character of a war by proxy on the part of the two superpowers—with the other veto powers in the Security Council playing a less easily discernible role. The main interest of the developed world in cushioning this conflict is the self-interest of avoiding a disastrous head-on collision between the two superpowers.

Similarly, the deeply tragic civil war in Nigeria was fought with weapons given or sold: by Britain and the Soviet Union to one side and by France, less openly, to the other. The 1971 West Pakistan butchery in East Pakistan was also carried out by weaponry given or sold by developed countries all over the world—on a small scale even by Sweden, I am distressed to say, although that country does not give away weapons and has much more restrictive laws regarding arms sales than other countries. These are the types of wars the U.N. Security Council was created to prevent or to stop. That it should be feasible was demonstrated, for example, in the India-Pakistan war of 1965. Of course that war was stopped because the two superpowers for once found a common interest in stopping it.

I have here been able only to suggest what are the sources of wars in the underdeveloped world. Whatever the merit of my argument on other scores, it is clear that the causes are political and that there are no economic measures that can cope with the problem of safeguarding peace within and among the underdeveloped countries. Great political changes are

required, not only in the policies of the superpowers but, very urgently, in trying to make the Security Council the effective instrument the U.N. Charter intended it to be.

Finally, permit me some general observations on economic development of underdeveloped countries. In *The Challenge of World Poverty* and other recent books I have argued that the entire literature on development is heavily biased in a diplomatic and overoptimistic direction. Awkward facts explaining the great difficulties in development are evaded. Without discussing here the sources of these biases and the theoretical devices through which they have operated, I do wish to point out the interests these biases opportunistically serve.

If the diplomatic sloganeering and excessive optimism about aid were correct, effective aid would be much cheaper for us in the developed countries. In that event, ruling oligarchies in the underdeveloped world could hope to see their countries developing without having to carry out the radical domestic reforms which are essential to rapid and steady development. Under the influence of these biases, statistics on aid and financial flows are juggled and falsified in the most scandalous way, giving the appearance that aid from the developed to the underdeveloped countries is much larger than in fact it is. We need to come clean on our theoretical speculation and empirical research for two basic reasons. First, because knowledge as presented in our literature should be true; I would like to think that is self-evident among scientists. Second, we must be more honest if we are to impress the peoples of developed countries with the necessity of undertaking sacrifices in order to help underdeveloped nations to develop. Furthermore, greater honesty will build support for the liberal forces in underdeveloped countries who, against heavy odds, struggle for domestic reforms.

Up to the present we have failed to impress people in the rich, developed countries with the necessity of sacrifice in aiding the underdeveloped countries. Globally, aid is decreasing when measured in real terms. The quality of aid has also deteriorated as loans have been substituted for gifts and as all aid has more and more been tied to exports from the so-called "donor country." Nor are these the only signs of deterioration.

The fault is, to a large extent, with the type of motivation offered for aiding underdeveloped countries. When, in the United States, aid is motivated as being "in the best interests of the United States," these "interests" are almost invariably defined in terms of political, strategic and military advantages in the cold war. In most developed countries additional "interests" given for aid include continued cultural domination (France in particular) and, even more generally, commercial advantage.

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In recent years I believe that public support for aid has been faltering in the United States and in most other developed countries because these arguments focused on self-interest are not believed by, and do not appeal to, their own common people. Even were such arguments believed, they make popular support for aid dangerously vulnerable to political and military fortunes. Thus it is only natural that one consequence of America's disastrous policy setbacks in Asia and Latin America is a widespread disillusionment about the "value" of foreign aid.

In a small country like Sweden, which has not had colonies for more than a century, it took a long time to recognize the need for aid to the underdeveloped countries. But now there is a rapid increase in aid commitments, averaging an annual increase of twenty-five per cent in recent years. Something similar is happening in a few other small countries similarly situated.

If only for geographical reasons it is impossible for Swedes to fear an onslaught of the poor nations if they are not aided. Sweden is, moreover, not a participant in the cold war and therefore sees no political, strategic or military interest in getting the underdeveloped countries on her side. And, of course, the Swedes have no ambitions to spread their language or culture. Old-fashioned and well-established free-trade traditions in regard to commercial policy prevent the Swedes, who are conservative in these respects, from seeking to distribute among their industrialists the commercial advantages of aid. Thus Sweden has not tied aid to deliveries from its own country, as has almost every other country. In Sweden the only motivation that could be effectively offered to the people is human solidarity and compassion toward the needy. It is with some hesitation

that I note the difference between my two spiritual homelands, the United States and Sweden.

It is my firm conviction, not only as a moralist but as a social scientist, that the moral argument is the only motivation that holds. This is what we must stress if we want to reverse the downward global trend toward faltering aid to the underdeveloped countries. The Swedes are no different from people in other developed nations. To be sure, the unbroken and successful advance of the Welfare State in Sweden has been a favorable condition for the development of its foreign policy. The fact that, with all the remaining inadequacies, the really needy at home are a relatively small and steadily shrinking minority, makes it less possible than it is, for example, in the United States to argue that charity begins at home, thus suggesting that aid should be limited by national boundaries.

The other side of building popular support for aid has to do with the internal affairs of underdeveloped countries. As long as these countries show great and increasing inequalities, as long as they are ruled by rich oligarchies, as long as corruption is widespread and increasing, as long as land reform is made a sham and educational reform is undemocratic and therefore antidevelopmental in its effects, it will be increasingly difficult to argue for aid in terms of solidarity and compassion. The ordinary man will ask: Why do they not tax their own rich and reform their own countries before they come to us with the begging bowl? The moral and political conditions for greatly increasing aid include, therefore, a clear recognition that no aid can be neutral. Preference must be given underdeveloped countries that are trying to reform themselves. Aid given other countries must be accompanied by effective provisions assuring that it will further internal equality.

These rules—which are explicit in Swedish aid policy, though not as yet radically enforced—are essential not only because they advance rapid and steady development in underdeveloped countries but because without them the moral foundation for aid will inevitably crumble. It is this moral valuation and the politics that give it expression that will shape the international relations—including economic relations—of peace or further destruction.