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Relief Instead of Development Aid

by Gunnar Myrdal, Stockholm*

Formerly an active supporter of the western industrialized countries', and particularly Sweden's, policy of development aid, Gunnar Myrdal has in recent years become increasingly critical of the present form of aid. In the following paper the Swedish Nobel Prize winner presents his case for a new line of aid policy.

For several years now I have been busy rethinking my attitude towards our aid to less developed countries. Unfortunately some other work prevents me at the moment from writing a detailed, discerning, and substantiated account of my most recent views on this question. Therefore, I am grateful to be able to contribute to the debate in this way.

Originally, our policy of development aid had my full approval. In contrast to nearly the whole wealthy part of the world, we attached no obligations to our aid. We wanted to support the United Nations and had the larger part of our aid go via their aid organizations. And our aid was meant to be a help for the poor countries' development. The most important reason for my changed attitude is the knowledge about the utter destitution and want among the people in the less developed countries. This desperate situation becomes even more extreme when catastrophes of different kind happen, as they often do in these countries. Poverty and catastrophe relief need all the help we can give.

I am glad that we, together with the other Scandinavian countries and the Netherlands, have kept our aid at the magical number 0.7 % of the gross national product and even raised it. To be sure, I do not want our aid to be reduced; on the contrary, I should like to have it increased. But even so, it is very little in a worldwide context, especially as the big industrial countries, the USA, West Germany and Japan, and even a rich and selfish little country like Switzerland, give so little and are, in general, even decreasing their aid. In many respects, the official aid figures – especially the American ones – cannot be relied upon and so the actual aid is in reality even less than they

purport. It is true that in a situation where we consume more than we produce, we have to finance our aid to developing countries with borrowed money. Thus, our children and grandchildren will have to repay these loans. But if we do not completely mismanage our economic policy, which – I am sorry to say – may well be the case, even our descendants will be very rich compared to the poor in the less developed countries.

Unprecedented Poverty

As I see it, the present extent of poverty in the less developed countries is unprecedented. My friend McNamara in the World Bank used to talk about "absolute poverty". And I fear that it is going to grow, especially in the poorest countries.

- ☐ The rise in oil prices, which I fear is going to continue, hits the less developed countries especially hard even though they may import very little oil.
- ☐ The population explosion is going to continue; it will have far reaching consequences.
- ☐ The fertile soil is diminishing. The forests that are so important for the climate are being ravaged.
- ☐ There is a great shortage of sanitary facilities and it is difficult to get people to use them. The shortage of water becomes more severe as the population increases.
- ☐ Famine is the worst problem. And there are indications that undernourished children who often suffer from retarded brain development will form a helpless lower class of intellectual cripples. This, in its turn, worsens the damage caused by the lack of schools or by negatively biased school education.

Let me add here that I doubt the accuracy of figures of gross national product in the less developed countries that are used uncritically, not only by

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politicians and journalists but also by economists. I do not believe that the average incomes have increased by some tenth percent in the miserably poor African zone south of the Sahara. We economists never developed a method of systematically criticising the figures that is such an excellent tradition among demographers. Few of us have cared to check if the variables are sound and how the figures are arrived at.

The general agreement in the wealthy part of the world, that in the first place the aid should be given to the poorest countries, has not been followed. The only development aid from Sweden – besides the already described poverty and catastrophe relief – that I am prepared to accept in this situation is aid to prevent predictable situations of want. What we can, by simple means, accomplish is to raise the production of food and better its preservation, to spread the use of sanitary facilities and to provide clean water as well, and – as far as it is possible – to improve health care for the children of the poor and perhaps to provide them with a bit more of proper schooling. This and the supply, the distribution, and the propagation of contraceptives, may well demand that part of our aid what I would call development aid. I am convinced we must discontinue the aid for industrial development projects.

Exploitative Regimes

This attitude is strengthened by my knowledge of the sort of regimes we find in most of the less developed countries. Nearly all of them are ruled by a small exploitative upper class. Often, governments are military dictatorships. But even in a country like India, where the voting percentage of the population is higher than in the USA, the politicians are thoroughly corrupted and leave the poor in the lurch. And even in Africa – miserably poor as it is – the small states are ruled by corrupt exploiting cliques. Especially in the former French colonies, these cliques have often directly received French aid, which – at least on paper – frequently has been quite high.

The influence of American policy on the development in Latin America is well known. Under the presidency of Jimmy Carter some half-hearted attempts were made to turn their policy around. But one of the more reliable prognostications about Reagan's presidency is that in this respect their policy will resume the traditional role, i. e. to support the reactionary regimes.

The demand for land reform has been almost everywhere, and almost everywhere, land reforms

have not been carried out or have been bungled. The number of people without land has increased. The 17th century "reductions" by the Swedish King Karl XI could be called radical in comparison with land policies in the less developed countries.

Many of these countries are still increasing their expenditures for armaments quite substantially. Development aid of the usual type helps them to save money in other areas that they then can invest in military objects.

Growing Corruption

Nearly everywhere, corruption especially on the higher political and official level is widespread and still expanding. Before I devoted a whole chapter in my *Asian Drama* to the theme of corruption it was quite usual that a number of American economists claimed that corruption was promoting development by "greasing the wheels".

However, since bribery involves someone refusing, for instance, to open a gate or to let a paper go through the normal channels, the opposite is true: corruption severely hinders development. At the same time, even if the custom of giving and taking bribes has permeated the whole society, the big bribes go to politicians and higher officials. It thus becomes one more way for the poor masses' exploitation by the upper class.

The industrial companies in the rich countries that export to the less developed countries or carry on business there have themselves strongly contributed to this corruption, though it surely does not further their collective interest. I could say a lot more about this and especially about how the problem appears to Swedish industry, but that will have to wait for another opportunity. Meanwhile, economists in our academic establishment have gone back to never mentioning the word "corruption".

There are countries like that with all those differences that collectively demand a "new international economic order". One great world conference follows another with minimal results – if any – except great costs of such conferences to the poor countries. But none of the politicians representing the rich countries asks if a "new order" in those countries might be necessary, in those countries that ask for help and surely need it. Our politeness on that issue is paralleled by the abstract discussions in the literature which are produced at present by the average economist.

The truth is, that in order to get the sort of development we wish for, the thing needed is not distributional reforms by transfer of money via taxes and subsidies of the kind that might be effective in developed countries; what we need is thorough institutional reform. Land reform is only one part of the necessary reforms. Above all, I should like to say, an effective fight against corruption is needed. But very often, members of the government themselves are corrupted.

Need for Strict Control

To return to the aid problem: in the first place we cannot help noticing that the less developed countries unanimously demand the right to decide about form and use of the aid. They want to fit it into their "plans". It is obvious, after what I said about their regimes, that in this case the aid very seldom will be used to help the poor.

The less developed countries' demand to decide themselves about the use of the aid has been accepted more or less completely by the United Nations' UNDP. At the same time the whole organization is dominated by the bargaining and the transactions between the representatives of those countries. This is the reason why I do not regret Sweden's reducing the share of their non-bilateral aid. More and more, we want to decide ourselves where the aid is to go and even more, what it is to be.

I do not want our aid to be curtailed. But I want to change its distribution: it should be more of the type that is given by the Red Cross, "Rädda barnen" (relief for children), "Lutherhjälpen" and so forth. In Bangladesh, where the rich countries naturally rushed to give pure relief aid and the World Bank with the same intentions to give agricultural aid, we experienced the theft of this aid by the ruling upper class and the intermediaries. And the World Bank's agricultural aid has in reality supported the land owners and increased the number of people without land — which was exactly the opposite of what was intended.

In order to have a real guaranty that at least our poverty and catastrophe relief is not being stolen by those in power and intermediaries of all kind, I recommend our following a more critical and harder line in our dealings with the recipient countries' regimes. I even could imagine that we have enough of our own personnel out there if not for distribution of help at last for strict control. By speaking a more direct language with the regimes we would support, also, the

minority of their intellectuals that refuse to be corrupted and for the most part vainly fight for the necessary radical institutional reforms.

I for my part even approve of aid to liberation movements against oppressive regimes as soon as it becomes clear that they will become both firmly established and popular. In a country like Nicaragua, the people have risen against an especially nasty regime which was supported by the USA. A new government has come into power and it looks as if it both wants and is able to carry on a policy that is in the interest of the people. They also had the wisdom quickly to start a literacy campaign. In this case, I even would support "development aid". And there is the miserably poor and backward Tanzania that happens to have a quaint idealist, Nyerere, as a "philosopher on the throne". I think we should lend him advice and assistance.

Direct Help for the Poor

On the other hand, I cannot approve of a change towards a form of aid which is made contingent upon other measures. Very often, these measures involve industrial development aid planned in conjunction with the respective government, a kind of aid which I want to transform into that which is needed to help the poor directly.

Generally, I should like to keep our industrial policy free from charity. Our exporting industries must earn money to better our balance of payments. I think it unsound not to stick strictly to that distinction and to let the industry sponge off of our policy of international aid. To help the industry in their business with less developed countries there are good reasons to have means of securing and insuring export credits. But this enterprise ought to be run as closely as possible according to the usual principles of economic insurance calculation.

It is easier for me to see an advantage in combining our aid policy with our agricultural policy. Our aim has been a balanced form of farming. As long as prices on the world market are below the prices we are ready to pay our farmers, we have to dump the surplus abroad. Therefore, our interest has been to hold down our food production in order to have as little surplus as possible. If our development aid policy is changed to chiefly famine relief in the less developed countries, I see some reasons to support a boosting of our agricultural production.

Finally, let me say that I am conscious of the fact that I myself have participated in staking out the principles

of our aid policy long before we had a NIB (Committee for International Aid) and later on SIDA (Swedish International Development Authority). At that time my evaluation of the political and institutional circumstances in the less developed countries was much more positive. Furthermore, these conditions have in general become worse. Through continued study I have gained greater insight into the problems. I do not think that I have to feel myself as an opponent and critic of SIDA and its aid workers. I should be very much mistaken, if many workers in SIDA are not rethinking the problems in the same way as I do.

Our aid workers are of two types. They either are of the thoughtless species that enjoy having had an exotic experience at a high salary, which some of them were able to increase by exchanging their money on the black market. Furthermore, they often had the possibility of getting at tax free spirits and tobacco and of having a lot of servants, that are easily to be had in these countries. I am not interested in their opinions. Or the workers have become deeply troubled about what they experienced and have started to think on similar lines as those I have been trying to outline. I have met a lot of people of that kind.

I have stronger reason to feel dissatisfaction with my younger colleagues in our small establishment of economists that deal with what we call in Sweden "u-landsforskning" (research about less developed countries). It seems to me that they have abstained from seriously attempting to realistically evaluate the effects of class structure and the policies in these countries.

As a matter of fact, I have participated in the debate about the less developed countries since the problem

first became evident after the Second World War. I credit myself with having raised the debate about the problem of equality as early as the end of the 1950's, not only on the international level but also in these countries. But at the time, I did not fully understand the extent of the decisive institutional problems.

Later on I did so. The development I observed can be described as follows: the elite upper class that had originally adopted the western ideal of modernization and propagation of greater equality, abandoned these ideals. This development was more and more accompanied by the unfavourable development of the political scene in these states. My younger colleagues here at home live in a sort of model world where they think they can disregard the class problem.

Let me add that – if the new line of our aid policy I am pleading for was gradually carried into effect – many aid workers now occupied with industrial projects would return to industry whereas many aid workers of another type were needed.

A practical question will be how far SIDA – in addition to its job of distributing aid to the Red Cross and other national and international organizations – should directly run its own activity. I think that SIDA should not support a research organization like SAREC (Swedish Agency for Research Cooperation with Developing Countries) with a rather low reputation. Instead, they should leave research entirely to academic organizations. Something similar applies to journalists and others concerning journeys to the less developed countries and other activities trying to make our aid policy – and SIDA – popular. All that can by no means be reckoned as aid to the less developed countries.

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