Asian Drama Revisited: Myrdal’s Insight in the 
Development of Southeast Asia

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Abstract

Gunner Myrdal’s *Asian Drama* was the first serious and somewhat pessimistic study on the postcolonial development prospects of newly independent Asian countries. Since the world is in the grips of COVID-19 pandemic and facing disrupted global supply chains, it is worth reflecting on the *Asian Drama* and rediscovering some of its insights. The rapid growth of Southeast Asian countries at the beginning of the twenty-first century may have proved Myrdal’s pessimistic outlook wrong, but his concern over the balance between state and market is still valid as it informs countries in the region that they should be more cautious in pursuing their current industrial policies. This is more so when Keynesian foresight is married to Myrdal’s forecast of development and economic growth, the precariousness of Southeast Asia’s development prospects post-pandemic is more pronounced.

Keywords

postcolonial development – supply chains – income distribution – Gunner Myrdal – global labor market

Introduction

Southeast Asian countries are held to be the golden boys of the twenty-first century. However, the memory of 1997–1998 Asian Financial Crisis that occurred a few years after the World Bank published its controversial *The East Asian Miracle* (World Bank 1993) is still vividly in our minds. Furthermore, recent
troubles in global supply chains stemming from pandemic-driven shortages in the world market also reveal a warning sign for both advanced countries and Southeast Asian countries in particular, who are playing active roles in global and regional supply chains. These incidents point to the importance of reassessing development experiences in supply chains. This study harkens back to the first serious attempt to assess the postcolonial development prospects of the newly independent Asian countries, i.e., Gunner Myrdal’s *Asian Drama* (Myrdal 1968)?

Whereas Myrdal was a Malthusian who thought that population growth in Asia would stunt economic growth, the early twenty-first century has shown that many Asian countries have experienced both population growth and economic growth. As most of the labor force in Asia has come to be involved in the so-called “global labor market” (Farrell 2006), we cannot help but wonder as to their fate. Myrdal had long realized the crucial role played by governments in promoting economic prosperity and, consequently, the welfare of the people – a fact that was affirmed by World Bank’s 1993 *East Asian Miracle* report. However, he expressed concern over the balance between the government’s role and the market.

Viewed from the experiences of the past half century, this study will delve into Myrdal’s *The Asian Drama* to discover the insights on the development prospects of Southeast Asian countries. In so doing, a sequel to *The Asian Drama* is proposed whereby Myrdal’s brave project is extended with the help of Maynard Keynes, who would be actively involved in the debate on development if he was alive in the present-day.

This study first provides a brief overview of the progress of development, especially growth driven by export and investment in post-war Southeast Asia. The implications of Myrdal’s *Asian Drama* on these development phenomena will be examined in the second section. This will be followed by a proposed sequel to the *Asian Drama* in the third section. Finally, I will end with some concluding remarks.

**Postcolonial Economic Development in Southeast Asia**

When I first took a trip to Barru in South Sulawesi, Indonesia, about fifteen years ago to attend the *La Galigo* festival of the Bugis people, I happened to meet a young man who guided me to the house of a chief of a local tribe. While I was there, members of the tribe showed me some video recordings of wedding and burial rituals. This was unsurprising as this particular tribe is famous for their particular nuptial proceedings and mortuary practices. Afterwards,
they told me that they were worried that the sacred places, where the ceremonies took place, could be ruined as a government-sponsored cement factory was (at the time) digging around the hills close to their sacred places. This incident revealed a conundrum for the local people. On one hand, they appreciated the government effort to advance their development levels by encouraging all sorts of productive activities. On the other, they were reluctant to reap the fruits of development which could hinder the practice of their culture and customs.

In the colonial period, the local tribes’ practice of subsistence agriculture was constrained by increasing population growth and concentration of land ownership in the hands of the wealthy. As frontier areas were fully occupied and fertile land grew scarce, the landowner could squeeze more and more from the peasants or provide fewer services in return for increasingly smaller subsistence tenancies. Subsistence agriculture could never assure its practitioners a livelihood, as it seeks to meet the basic caloric needs of a population rather than make a profit. A subsistence farmer knows that a successful crop yield could generally sustain his family until the next harvest. However, cultivation for the market, as initiated by the colonial powers, obviated any such security for the subsistence farmer. The price of a crop may tumble, even when a farmer grows cash crops; or he may have to use his meager earnings to purchase basic necessities that have risen in price.

In either case, crop yield does not determine the farmer’s real income. Prices began to matter more to the farmer as he increasingly produced for the market, as per the terms of his tenancy and his need to pay taxes, purchase basic necessities and pay off his debt to the landowner. The negative impact of cash crop farming was especially obvious for those who produced export crops such as rubber, which could not be consumed by the farmer when the price fell. The price of daily necessities, therefore, became crucial for the welfare of the farmers, who were dependent on the market for their steady employment. A small price change would often result in a major disaster for peasants who lived at or near subsistence levels. Despite the phenomenal growth of production in the export sector, the level of welfare among peasants may have declined in colonial period, as evidenced in large parts of Vietnam and Burma (Ngô 1973; Sansom 1970; Furnivall 1948). An understanding of the insecurity experienced by the peasant in the commercialized sector vis-à-vis his access to resources he needs to live and his real level of income is crucial. The farmer will increasingly feel out of control due to the uncertainty in his continued access to land (and thus employment) and the fluctuations in the value of his crops and wages.

About a half century later, the peasant faced the same conundrum in the Asian Financial Crisis of 1997–1998. In hindsight, changes in trade
fundamentals were underplayed as determinants of the crisis, as the public almost single-mindedly focused on changes in prices of financial assets at the time. As can be seen in Table 1, however, basic trade trends were already changing significantly in many parts of Asia by 1995–1996. Indonesia’s export growth had stalled in 1995, while Thai export growth suffered a large reversal (-9.4% in terms of volume) in 1996. The sectors most affected were textiles, clothing and footwear, and the traditional industries. Malaysia’s export growth also dropped in 1995, although not so dramatically, from 12.6% to 3.9%. While the Philippines and Korea seemed to be the exceptions of this slowdown, Korea did experience large absolute declines in export prices. Terms of trade was another indicator that the export sector of these economies was suffering in the 1990s (see Figure 1).

In 1997–1998, the so-called peasants did not only encompass farmer workers producing economic agricultural products; they also included workers in the export manufacturing sectors, such as factory workers in the light industries and electronics. As can be seen in Figure 1, the financial fragility of the corporate sector of Thailand, Korea and Indonesia became apparent in 1997 and 1998. This was due to the loss of price competitiveness against other Asian countries (such as Japan, China and Taiwan), as well as Thailand, Korea and Indonesia’s inability to expand export market shares in North America and the European Union. Corporate fragility was further exacerbated by these price responses, as large discounts were made to importers in the hopes of turning the market conditions around.

The 1997–1998 Asian Financial Crisis is not only a good reminder but also a turning point in adjustments to production and export behavior. These adjustments followed the trend of supply chains, which takes advantage of fragmentation in production stemming from technological development and divides the production process into many small parts so that they can be produced on a larger and more specialized scale. A prominent example is the research and development (R&D) of digital chips, which not only accelerated data computing speed but also evolved into many new and different functions that negated the producers of computers and cell phones from engaging in their own R&D; it also allowed these same producers to import chips from specialized manufacturers and assemble them into their final products (Arndt and Kierzkowski 2001).

The more specialized components in modern-day equipment and the diversified products in the global market have also drastically changed international trade patterns. The conventional explanations of trade patterns based on the Heckscher-Ohlin theorem of resource endowment differentials may
### Table 1
5 Asian Countries’ Export Values, Prices and Volumes, 1994–1999

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<td><strong>Export Values ($ billions)</strong></td>
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<tr>
<td>Indonesia</td>
<td>40.0</td>
<td>45.4</td>
<td>49.8</td>
<td>53.4</td>
<td>48.8</td>
<td>48.7</td>
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<tr>
<td>Korea</td>
<td>96.0</td>
<td>125.0</td>
<td>129.7</td>
<td>136.1</td>
<td>132.3</td>
<td>143.7</td>
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<tr>
<td>Malaysia</td>
<td>58.7</td>
<td>70.4</td>
<td>78.3</td>
<td>78.7</td>
<td>73.3</td>
<td>84.4</td>
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<tr>
<td>Philippines</td>
<td>13.3</td>
<td>17.5</td>
<td>20.4</td>
<td>25.1</td>
<td>29.4</td>
<td>34.2</td>
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<tr>
<td>Thailand</td>
<td>45.3</td>
<td>56.4</td>
<td>55.7</td>
<td>57.5</td>
<td>54.5</td>
<td>58.4</td>
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<tr>
<td><strong>Total</strong></td>
<td>253.3</td>
<td>318.3</td>
<td>333.9</td>
<td>350.8</td>
<td>338.3</td>
<td>369.4</td>
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|          |       |       |       |       |       |       |
| **Export Values (% change)** |       |       |       |       |       |       |
| Indonesia | 8.7   | 13.5  | 9.7   | 7.2   | -8.6  | 0.0   |
| Korea    | 16.8  | 30.2  | 3.8   | 4.9   | -2.8  | 8.7   |
| Malaysia | 24.6  | 26.1  | 5.8   | 0.5   | -6.9  | 15.1  |
| Philippines | 19.8  | 31.6  | 16.6  | 23.0  | 17.1  | 16.3  |
| Thailand | 23.1  | 24.5  | -1.2  | 3.2   | -5.2  | 7.2   |
| **Total** | 18.4  | 25.7  | 4.9   | 5.1   | -3.6  | 9.2   |

|          |       |       |       |       |       |       |
| **Export Unit Values (% change)** |       |       |       |       |       |       |
| Indonesia | 0.9   | 14.1  | 5.8   | -5.0  | -22.0 | -7.5  |
| Korea    | 1.7   | 5.0   | -9.4  | -15.9 | -16.0 | 18.5  |
| Malaysia | 3.0   | 16.3  | 1.8   | -8.0  | -6.0  | 5.0   |
| Philippines | 4.0   | 10.6  | 6.0   | 3.8   | 8.2   | 10.1  |
| Thailand | 3.5   | 9.2   | 8.9   | -3.7  | -13.1 | -3.8  |
| **Total** | 2.3   | 8.8   | -2.3  | -8.6  | -11.3 | 7.8   |

|          |       |       |       |       |       |       |
| **Export Volumes (% change)** |       |       |       |       |       |       |
| Indonesia | 8.0   | -0.7  | 3.7   | 12.7  | 17.1  | 8.1   |
| Korea    | 14.8  | 24.0  | 19.8  | 24.8  | 12.2  | -12.6 |
| Malaysia | 21.7  | 12.6  | 3.9   | 9.2   | -11.1 | 9.7   |
| Philippines | 14.8  | 19.0  | 9.7   | 18.8  | 8.3   | 13.1  |
| Thailand | 19.0  | 13.9  | -9.4  | 7.2   | 9.1   | 11.4  |
have to be modified. While countries of low-level development may not possess enough capital and technologies, they can now produce many high-tech components on a large scale as long as multinational companies (MNCs) are willing to invest in their countries, manufacture the components there and export them to other countries, including highly developed ones. Their advantage of exports stems mainly from the infusion of capital from MNCs and the economies of scale from profuse and highly specialized productions that allow them to export relatively low-priced and high value-added components. This is the so-called “trade-investment nexus” (Chow 2012, 219–299), which started to grow pronouncedly from the mid-1980s. The growth of this trade-investment nexus occurred concurrently with the four Asian tigers, like Taiwan and Korea, successfully developing their skill-intensive export-oriented models (Bende-Nabende et al. 2003).

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<tr>
<td>(Total – Korea)</td>
<td>(16.5)</td>
<td>(9.5)</td>
<td>(9.5)</td>
<td>(10.5)</td>
<td>(7.3)</td>
<td>(9.1)</td>
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Notes:
a Calculated on the basis of 1995 export share weights.
b Calculated as the sum of the export volumes of each country.
* Adapted from Grilli (2002, Table 1).


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**Figure 1** Export Price Competitiveness, 1993–1998

Note: Asia 5 stands for Indonesia, Korea, Malaysia, the Philippines and Thailand.

Source: Grilli (2002, Figure 2)
This is the beginning of supply chains or outsourcing, which could be construed as manufacturers benefiting from fragmentation in production. The other phenomenon arising from this development is the so-called “global labor market”, which is intimately relevant for Southeast Asian countries. The concept can be simply understood thus: most laborers in every country are not employed in domestic productions; regardless as to whether they work for domestic or foreign enterprises, they are actively engaged in global production. The concept of the global labor market is tied to debates on the basic characteristics of capitalism. Scholars are still debating whether it began when capital started to be put into the production process or when it started to be used in distributing products. Traditional explanations on the rise of capitalism were primarily based on Eurocentric theses, which posited that capital came to be concentrated in industrial productions with the industrial revolution. This, in turn, led to the development of western capital and financial markets, and culminated in the appearance of capitalism.

This argument has lately been countered by a thesis that claims capitalism did not necessarily first arise in Europe. If its appearance was due to the development of financial markets or tools, then Asian businesspeople could have been the first to prosper as they were historically known to circulate various goods to different places through use of all sorts of capital and financial tools. This kind of capitalism, popularized early in the history of East Asia, was focused on circulation rather than production. This is especially true for China and India, the most populated economies in the present-day. Because the economies of China and India are flourishing, some scholars began to suspect that they might not have been following the models of western capitalism, but were instead pursuing their own models of capitalism that focused on distribution and sales (Liu 2019).

The fact that China has become a world factory implies that its huge labor force should not only be regarded as belonging to its domestic labor market but also an important part of global labor market. The endogenous growth theory, as developed by Paul Romer, was the foundation of the knowledge economy. It posited that knowledge and technologies are embedded in laborers who could have worked effectively anywhere as they were not confined by exogenous technologies, such as the machines they operated, because they possessed endogenous knowledge and technologies (Romer 1986; Romer 1994). Furthermore, this endogenous knowledge could be applied to global production rather than domestic production activities. In other words, the specific technologies embedded in laborers could be used to satisfy market demands arising from productions in different places of the world, in accordance to differences in product distribution and markets, inclusive of the family-friendly
and flexible production models in Japan, China, Korea and Taiwan (Sugihara 2007).

If we compare the United States of the 1950–1960s and China of the twenty-first century, we can find a few instances of the aforementioned global labor market conditions at work. As the US and China are the largest economies of the world, they have the human resources to not only produce nearly everything but also develop all kinds of industrial technologies. This is consistent with the hypothesis of the global labor market, which posited that their laborers are engaged in production for the global market. Even in the 1950s-1960s, the US was engaged in the development and production of nearly every product, which they then exported all over the world. That the US did so before fragmentation of production became prominent in the 1980s is remarkable. China, on the other hand, has taken advantage of the more fragmented production process and is now capable of collecting output produced in various countries and reassembling them into final products that it then exports all over the world.

**Figure 2**  Supply Chain in Asia in 2000  
*Source: Okubo and Turkki (2021).*
If we look at Figures 2 to 4, we can see that China had gradually consolidated its status as the Asian supply chain hub after the Asian Financial Crisis. As of 2000, China, Taiwan, Japan and Korea jointly served as East Asia’s trade hub, Singapore and Malaysia acted as Southeast Asia’s trade hub, and Japan acted as the bridge between East Asia and Southeast Asia (Figure 2). As the East Asian trade hub grew, China became the dominant player in Asia by 2010 and started to form links directly with Southeast Asia and India while intra-ASEAN trade diversified and formed many linkages with each other (Figure 3). In 2019, just before the outbreak of COVID-19, Korea eclipsed Japan as the second largest trade hub, Vietnam surpassed India as an important supply-chain player in the region, bilateral trade between ASEAN and China grew, and intra-ASEAN trade linkages declined (Figure 4). Throughout the pandemic, Indonesia – with its population of 267 million – suffered as its underdeveloped infrastructure hampered the productivity and efficiency of its supply chain (Okubo and Turkki 2021).
Asian Drama Revisited

Gunnar Myrdal served as the Executive Secretary of the United Nations Economic Commission for Europe (ECE) from 1947 to 1957. Similar Commissions were set up for Latin America and Asia at the same time, headed by Raúl Prebisch and Palamadai S. Lokanathan, respectively. Myrdal’s formal focus was on the war-torn economies of Europe and, increasingly in the 1950s, the East-West divide across the Iron Curtain. During the period when the ECE was active, Europe was witnessing an increasing engagement with the problem of development, particularly in the international context. In 1955, Myrdal delivered the Anniversary Commemoration Lectures at the National Bank of Egypt titled, “Development and Underdevelopment: A Note on the Mechanism of National and International Economic Inequality”. These Cairo lectures inspired him to write his book, Economic Theory and Under-developed Regions (Myrdal 1957), and later resulted in him leading a team on the Asian Drama project, supported by the Twentieth Century Fund.
The developing world in the 1950s deviated from the traditional idea of development. Myrdal stated very clearly in *Economic Theory and 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 most cases is much smaller than it was in those countries before they started to develop rapidly a century or more ago.

Myrdal 1957, 3

He also added that in the former 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...” (Myrdal 1957, 6).

These words do not, of course, reflect the real world today, as we have witnessed the dramatic growth of many Asian economies in the last three decades. Many countries were not in “constant danger of not being able to lift themselves out of stagnation”, even during the Asian Financial Crisis. The old development theses were more a doctrine of history, as they were conceptualized at a time when the world had just gone through a deep depression in the 1930s and faith in the efficacy of public sectors was high. There was no doubt in the expansion of the welfare state, as Keynesianism was ruling the day. The discourse on development within countries in the mid-twentieth century was focused on the needs of the state. This was because market failures of different types had held back economic growth. The *Asian Drama*, however, emphasized strong state intervention in accelerating industrialization. Throughout the 1940s, Arthur Lewis, a Nobel Laureate in Economics, fought a battle with market-oriented development specialists, especially on the Colonial Economic Advisory Committee.

However, the lack of balance between the free market and the over-interventionist state always puzzled Lewis, especially when he became the resident adviser to Kwame Nkrumah, leader of the newly independent Ghana, in 1957. Lewis was annoyed by Nkrumah's insistence on according the highest priority to a number of pet plans of secondary importance while making inadequate provisions for essential services, such as water supplies, health centers, technical schools, roads, etc. (Tignor 2020, 167), similar to the worries of indigenous Bugis people that I referenced at the start of this study. Lewis's struggles in
balancing the state and the market were also seen in Myrdal’s *Economic Theory and Under-developed Regions* and *Asian Drama*.

Another not altogether unrelated trend of development thinking in the mid-twentieth century was the “big push” for industrialization, of which Rosenstein-Rodan (1943) was the chief advocate. 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” (Murphy, Shleifer and Vishny 1989). This led to the belief that growth and industrialization were intimately linked. As a result, the notion that industrialization required significant state intervention became deeply ingrained in the development discourse in the 1940s and 1950s. This idea was present in Myrdal’s *Economic Theory and Under-developed Regions* which, for him, stemmed from a lifetime of thinking about economic processes and engaging with the creation of the Swedish welfare state.

Hence, when the *Asian Drama* was published in 1968, it was reviewed positively by many scholars. Kenneth E. Boulding, President of the American Economic Association, spoke approvingly of the *Asian Drama’s* “unsparing … criticism of those Western economists and social scientists who think that development is equivalent to technology and who are unable to 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, thought Myrdal’s prognosis to be “gloomier … than justified.” In particular, Myrdal drew attention to the prospects for increasing exports and the “increase in farm output with new technologies, especially with new varieties of seeds…”, noting that “some of these technological breakthroughs have only begun to have their effects since the book went to press in 1966” (Barber 2008, 141–42).

However, I posit that only after his death in 1987, three decades after he started the *Asian Drama*, Myrdal would have questioned some aspects of his decades-long project. As was previously noted, Myrdal’s dire prediction of the poor countries of the world being “in constant danger of not being able to lift themselves out of stagnation or even losing ground so far as average income levels are concerned” was the starting point of the *Asian Drama* project. This served as the main thrust of the *Asian Drama*, as he attempted to answer why this was the case and why these countries (housing the bulk of the world’s population) were unable to break out of their low income, low growth trap. To do so, he used an institutionalist framework which was beyond conventional economic thinking. If he were to be alive today, Myrdal would observe that the region covered in his *Asian Drama* is now experiencing remarkable growth,
as seen in the growth of the economies of China, India, Vietnam, Bangladesh, Indonesia, the Philippines, and even Pakistan and Sri Lanka. Inequality in these countries has increased along with economic growth, but poverty, as conventionally measured, has declined in Asia as a whole as well as global inequality (Asian Development Bank 2012).

The growth performance of Asia was neither predicted nor expected in Asian Drama. Indeed, the social structures and constraints as emphasized by Myrdal did not change dramatically in the two decades following the publication of Asian Drama, even though Asian economic growth was beginning to take off at the time. However, Asian countries at the time were taking advantage of the rising openness of trade by exporting to fulfill rising demands as global incomes grew. As they did so, these Asian countries were able to raise their own standards of living. Inequality in these countries rose as a reflection of structural inequalities, as Myrdal had highlighted in Asian Drama. How would Myrdal respond to these growth turnarounds in Asia in an imagined sequel to the Asian Drama?

The Presumed Asian Drama Sequel

If Gunnar Myrdal wanted to resume his investigation of the current state of development in Southeast Asia, he might want to consult John Maynard Keynes because his Asian Drama project was incentivized by Keynesianism. Keynes was 15 years older than Myrdal, but had died too soon in 1946, nearly 40 years before Myrdal, and did not have the chance to catch up with the post-war trend in engaging with development problems in newly independent underdeveloped countries. Even though Keynes was not a conventional development economist, his theoretical theses on capitalist economies, especially those contained in The General Theory of Employment, Interest and Money (1936) and his proposals at the Bretton Woods Conference in 1944 for a new international monetary order, which were largely ignored, do hold significant relevance for the debate in current development economics. Therefore, I theorize Myrdal would want to talk to him and find out what he might have to say on some of the pressing issues facing developing countries, especially those in the Southeast Asian region.

For the past several decades, international capitalists have tapped into the large labor force in East Asia and Southeast Asia as part of the global labor market by outsourcing production to those countries so as to fulfill increasing global demands for intermediate products in the global and regional supply chains. This led to several knock-on effects for the less developed countries
in Asia, particularly Southeast Asia. While this has resulted in the growth of the labor force and labor productivity in Southeast Asia, it has also created a serious imbalance between the growth of the effective labor force and the rate of capital growth. This is because the labor force in the less developed Southeast Asian countries are poorly paid, resulting in the workers being short on capital. Keynes would have recognized this as a major cause of unemployment and underemployment in least developed countries (LDCs) rather involuntary unemployment (as defined in The General Theory), and he would have noted that this form of structural unemployment is caused by the laborers’ lack of capital when there is no technological change. This phenomenon can be observed in Thailand where fresh graduates from Thai colleges flock to work for the automotive industry that is actively supported by Thai government (Rastogi 2018).

Keynesian growth theory departs from orthodox growth theory in its emphasis on the demand side. In the orthodox theory for the closed economy (Solow 1956), supply creates its own demand. Because of the neoclassical assumption of diminishing returns to capital, investment does not contribute to long-term growth, and there are no demand constraints either. In (new) endogenous growth theory, as mentioned above, the assumption of diminishing returns to capital is relaxed and investment is able to contribute to long-term growth. Growth is endogenous in the sense that it is not simply determined exogenously by the effective labor supply, but, when viewed from the perspective of the global labor market, is determined by the division of labor in global or regional production through supply chains. In an open economy, foreign exchange is a major constraint on the growth of output. There are not many developing countries, apart from China and those with oil as a natural resource, that could grow rapidly without greater availability of foreign exchange (Thirlwall 2006).

It is interesting that the Asian Drama does not go into detail on global questions. While Chapter 13 in Part Three of Volume 1 is supposedly on “Foreign Trade and Capital Flows”, it rehashes the arguments made in Economic Theory and Under-developed Regions (Myrdal 1957) and An International Economy (Myrdal 1956). He addressed the issue of colonialism and its influences on the economies of the newly independent countries at length, but did not systematically question the inequities of the global system as a whole. Instead, he focused on intra-country issues. For the rest of his life, however, Myrdal would pursue an examination into the inequalities caused by the global system. This is reflected in his Nobel Prize Lecture, “The Equality Issue in World Development”, which specifically focused on development assistance (Myrdal 1975). Development assistance, especially from those former colonizing countries, was meant to relieve balance of payments constraints faced by developing countries. The
developing countries’ balance of payments constraints in the post-war period were, in turn, often caused by lack of capital flows and deteriorating terms of trade.

Led by the United States, the developed world was driven by output growth and the income elasticity of demand for exports to increase the growth of exports of less developed countries, especially after the 1960s. As verified by Thirlwall and other scholars, the growth performance of nations could be predicted according to the rate of growth of exports vis-à-vis the income elasticity of demand for imports (McCombie and Thirlwall 1994; McCombie and Thirlwall 2004; Thirlwall and Nureldin Hussain 1982). This is a dynamic analogue of the static Harrod trade multiplier that, given long-term balance of payments equilibrium on current account and constant real terms of trade or exchange rate, national income is a linear multiple of the level of exports relative to the marginal propensity to import (Harrod 1933). However, in an open economy, demand fluctuates and is constrained by different forms within a balance of payments framework, driven by different factors. One is terms of trade fluctuations, which affects the balance of payments directly, and the other is government revenue and private investment. Keynes was so annoyed with the detrimental effects of commodity price fluctuations on the world economy that he had remarked in a memorandum in 1942, “One of the greatest evils in international trade before the war was the wide and rapid fluctuations in the world price of primary commodities – it must be the prime purpose of control to prevent these wide fluctuations” (Moggridge 1980, 121).

Like Keynes, Myrdal had noticed the factors affecting demand fluctuations and he saw how that led to trade fluctuations and changes in private investment. The prevalence of supply chains in recent decades, as described in the first section, seemed to alleviate the problem of demand fluctuations and reduce the cost of transnational productions. But as Myrdal had noted in his 1975 Nobel Prize Lecture, the development of underdeveloped countries through a rational international equalization program that funnels capital aid to these countries “is both impossible and, I am inclined to believe, an unimportant objective” (Myrdal 1975). I argue that he might also raise similar doubts on supply chains.

As previously mentioned, fragmentation and outsourcing of production shifts the comparative advantage of trade from resource endowment to scale economies in specialized production. Furthermore, tariff-borne trade barriers had already been largely eliminated since the World Trade Organization (WTO) was established. That meant the major issues hampering regional trade in recent years are the effects of many bilateral and regional trade agreements and non-tariff trade barriers that have been deliberately ignored by RCEP and
other bilateral trade agreement in Asia Pacific (UNCTAD 2019). These issues have consequently resulted in the deterioration in terms of trade for developing countries in the region. Terms of trade are a kind of relative price that reflects the rise and fall of export and import prices internationally, and the rise and fall of labor wages are, in turn, relative to capital returns. Multinational enterprises (MNEs) are obvious winners as they benefited from the division of labor in cross-country productions through the supply-chain arrangement, and the laborers, especially those working in international production, are the losers.

Daniel Bell noted in 1973 that knowledge, science and technology were causing the capitalist world to transition into a “post-industrial society” (Bell 1976). In a post-industrial and knowledge-based economy, the production of goods is more dependent on technological inputs than the skills of the workers who build and assemble the goods. This, in turn, results in a relative decline in the need for and economic value of skilled and semi-skilled factory workers. The revolution in information economy in recent decades has only exacerbated these trends (Muller 2013).

As was previously mentioned, Myrdal struggled to balance the state and the market. One needs to be careful about drawing conclusions concerning causality. Globalization, as manifested by supply chains that are strategically manipulated by MNEs, have been touted by some to be promoting and supporting positive changes, such as economic growth and reduced inequality, while poverty and increased inequality are the fault of “domestic education, taxes, and social policies” (Dollar and Kraay 2004). However, one cannot have it both ways. As governments decide trade and investment policies as well as social policies, they deserve praise for their economic successes as much as they deserve criticism for their failures. Increased international integration might be both the cause and result of economic growth. Therefore, global trade and investment, which may produce both positive and negative effects, should not be utilized wholesale as means to reduce poverty or increase inequality (Wells-Dang 2002).

Present-day Indonesia has been independent for nearly 70 years, but the situation faced by workers is not much different from the colonial era. Workers on plantations, as seen in the short film titled Suara dari Perkebunan Sawit (Voices from Palm Plantations), only were paid Rp. 600,000 or US$41.70 per month (LifeMosaic 2014). This is very low when compared to the Rp. 1,409,656 or US$98.00 monthly average wage in the Indonesian agriculture, forestry and fishery sector in 2018 (CEIC Data n.d.). “My work hours are 6am to 6pm,” said a worker interviewed in the film (LifeMosaic 2014). These workers spend twelve hours a day in backbreaking labor that encompass cleaning the grounds, fertilizing the plants, harvesting oil palm branches, and carrying oil palm to trucks.
Because of their low wages, workers are often forced to take *brondol* or the palm branches that have fallen off the plants. However, this is risky as the security guards will report the workers who have retrieved *brondol* to the police, and these workers will be accused of stealing the oil palm that belongs to the plantation (Chamim et al. 2012, 33–36).

Given this then, what is the difference in current situation of development in Asia from that of the colonial period? This is a question worth pondering.

**Conclusion**

Myrdal’s *Asian Drama* was the first study that seriously looked into the postcolonial economic development situation in Asian countries and tried to determine their future prospects. He presciently foresaw the crucial role played by the governments who have somehow inherited the legacies from their former colonial masters to promote development in their newly independent economies. He did not, however, foresee the rapid growth of some Asian economies that have pulled themselves out of the poverty trap through trade and investment, as verified by Keynesian economics. Yet, Myrdal’s concern on the balance between the state and the market was well-founded and prescient, especially in regard to the laborers who have toiled in the colonial period and the present-day.

The problem of lack of capital for laborers to work with, as expounded by Keynes, has been solved through the infusion of foreign investment from the developing nations’ former colonizing countries and other resourceful economies. The nexus of trade and investment has culminated in the current growth of supply chains and just-in-time productions that have taken advantage of economies of scale from segmented and specialized production, which have, in turn, drastically decreased cost and increased global competitiveness. Economic growth has increased in many Asian countries whose governments were eager to take credit for raising living standards and reducing poverty rates. But the spirit of the Swedish model, as embraced by Myrdal, which emphasized the importance of education and taxes, has been sometimes blamed for the resultant increases in laborers’ hardships and inequalities.

The South Sulawesi incident I encountered, as described at the beginning of this study, is testament to the development conundrum in Southeast Asia. South Sulawesi is one of the regions in Indonesia which emerged from the 1997–1998 Asian Financial Crisis unscathed. This is due to its tradition of non-industrial production. Due to its primarily agricultural focus (such as rice production), it was able to remain prosperous during the crisis. It was able to
continue sustainable development because it was not been affected by deskill-
ing. Myrdal might not have foreseen the rapid economic growth driven by cap-
ital investment, especially from abroad, but his concern for the sustainability 
of development in Asia, especially for basic laborers is somewhat warranted.

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