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Myrdal's "Asian Drama" six decades later: still a Drama? Implications for the Philippines

In this Brief, I advance the idea that development is more than adding kilometers of roads, setting the policy rate, reducing the fiscal deficit, having a competitive exchange rate, or creating a level-playing field for the private sector. Development, especially at the takeoff level, happens when a society becomes aware of, and understands, the imperative to move forward, when it comprehends that it needs to transform and modernize, and when it demands economic, political, and social changes in that direction. It is an awakening from a state of lethargy, the normal state of poor backward societies. This requires a change in mindset.

I review Karl Gunnar Myrdal's thinking and argue that it is still useful today to understand Philippine retardation and backwardness (relative to countries that were poorer 60 years ago), and why the nation advances slowly. Building roads and modernizing and expanding the manufacturing sector are facilitators of development, but something else is needed. This is the understanding that societies advance *only when they decide to do so*. Absent this push, backward societies live in a state of *accommodation*, characterized by a refusal to struggle against the

[1] The views expressed in this Brief are the author's and not necessarily those of the Asian Institute of Management.

impossible, a tendency to prefer acquiescence to frustration, profoundly rational responses to their situation (Galbraith 1979).

Also, I have written extensively about why development has historically been associated with the expansion of the manufacturing sector and the decline in the employment share in agriculture (Felipe et al. 2026; Felipe, Mehta and Rhee 2019). The relevance of manufacturing resides not only in that it is a major source of productivity and wage growth, and in that it induces the introduction of capital and new technologies, but also in the fact that it creates awareness that 'things have to change', including social advances, higher equality, better public health and educational systems, the creation of a middle class, workers' rights, and democracy. The reason is that this awareness happens mostly in factories, not in the countryside (agriculture) or in low-productivity service activities. All these economic and social achievements come as a package. Saying that a country has attained high income is much more than saying its per capita income reached $14,000. This figure encapsulates decades of struggle for most citizens in their quest to increase their living standards, coming from misery, and to create a better country.

Myrdal's *Asian Drama*

The original optimism that followed the end of WWII was quickly shadowed by a sense of disappointment. In fact, in 1957, Swedish economist, and later Nobel Prize winner, Gunnar Myrdal started writing a very pessimistic view of Asia in his famous *Asian Drama*. It took him 10 years to write the book, and he published it in 1968. Although the book had its share of detractors, it marked an era in development thinking, and Myrdal would eventually receive the Nobel Prize in economics in 1974.

In his *magnum opus*, Myrdal painted a rather grim picture of seven South and Southeast Asian countries, India, Pakistan, Ceylon (modern Sri Lanka), Burma (modern Myanmar), Indonesia, Malaya (modern Malaysia), and the Philippines, and provided vivid testimony of the backwardness of much of the region. Myrdal expressed the premises of his study in terms of *Modernization Ideals*: (i) rationality; (ii) a desire for development and planning; (iii) a rise in the standard of living as a result of rising productivity; (iv) greater equality of status; (v) opportunity, income and wealth; and (vi) national consolidation, independence, and political democracy.[2] The

[2] At about the same time, Ward (1962) published a short book where she wrote about the four *Revolutions of Modernization* that allowed Europe to take off around the 15th century: (i) the equality of men and equality of nations; (ii) the idea of work and effort, together with the belief

background of his work was the transformation of feudalism into capitalism, which required the creation of a *modern industrial system*. This was very difficult, however, in the countries he studied. Myrdal argued that there was resistance to change and modernization. A peasant would not understand, for example, the idea of being underemployed; for him, working in a city for a wage (and becoming a slave) would imply a change in status. Family planning would mean a small family. Cultivating additional acres of a cash crop would mean a drastic change in his way of life for an uncertain outcome.

Myrdal viewed economic retardation as the result not of resource constraints but of inimical domestic political structures, adverse international institutions and path dependence. He had a multidimensional view of development that included institutions, culture and technology. As a consequence, he was pessimistic in his assessment of development prospects. In his model of the process of circular and cumulative causation or geographic dualism (Myrdal 1957), applied to countries and regions, he argued that both economic and social forces produce tendencies towards disequilibrium that retard the development of backward regions and even slow down the development of a whole economy. Myrdal argued that an exogenous shock (e.g., migration, trade, capital movements) could induce a disequilibrium situation with development proceeding more rapidly in one region than in another. Economic and social forces would tend to strengthen the disequilibrium by leading to cumulative expansion in the favored region at the expense of the other regions. Instead of leading to equality, the forces of supply and demand produce cumulative movements away from spatial equilibrium.[3]

Specifically, Myrdal thought that:

(i) traditional Asian power structures were likely to persist, and that unless there was change ('social reform' or 'political revolution' to motivate the apathetic masses), the chances of economic takeoff were slim;

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that material progress can improve man's physical environment, our world, here and now; (iii) the biological revolution that led to the growth in population; and (iv) the application of science, saving, and capital to all economic processes.

[3] Pessimism regarding Asia was reinforced during the late 1960s and early 1970s. Many analysts became alarmed at what appeared to be unchecked population growth especially in South and Southeast Asia. This was due to these regions' high fertility rates. Demographers predicted that these regions would not be able to feed themselves and that the high population growth would not allow per capita growth. This gloomy forecast was incorrect as fertility rates declined significantly during the 1970s and 1980s.

(ii) governments in the region were 'soft', unable to enforce the discipline that was needed to implement their development plans. He argued that leaders of many Asian countries had become complacent about their national problem, blaming economic stagnation on the system inherited from the colonial rulers and on the inadequacy of the flow of capital from the rich nations. He concluded that democracy might not work in these states and, consequently, authoritarian states might do better;

(iii) on the last point, he thought that although what the rich countries do by way of helping underdeveloped countries is marginal, advanced economies should divert at least 1% of their national income to economic development;

(iv) faster agricultural development, crucial for raising living standards in rural areas, and for providing savings and markets for industrialization, would not happen unless there was radical land reform;

(v) industrialization would be held back by a shortage of foreign exchange due to poor prospects of exports, inward investment and foreign aid;

(vi) Myrdal favored economic planning, but was appalled by the inefficiencies, corruption and waste caused by excessive reliance on administrative controls; and

(vii) education, health and population control needed far greater priority.

The assessment of the *Asian Drama* was not, however, unanimous, for two main reasons. First, some commentators, both in the West and in part of Asia, thought that he was overly pessimistic as he took a very static view of development and traditional societies. Second, the book was more an analysis of what was wrong in these countries, and a debunking of conventional views about development (he deemed irrelevant, for example, the standard notions of income, industrialization, urbanization or unemployment, as valid constructs to analyze development), than a set of proposals and solutions. Myrdal disapproved of Communism (as well as of an uncontrolled laissez-faire market) but acknowledged that it would grow increasingly influential as a model for development —time proved him wrong on this point. Ultimately, he proposed for these countries a rather Western, social-democratic vision.

The result was that Myrdal's work did not have much influence among policy makers (not even in India, where much of his analysis focused), partly because the book fell short on practical policy suggestions, and because by the time Myrdal published his *opus magnum*, other parts of Asia were already on a fast-growth track. First and foremost was Japan, which, after the post-war

chaos (1945-49) and the recovery (1950-59), entered a decade of very rapid growth (1960-69), when income doubled. It did so by implementing a growth model that would deliver the highest growth rates that humanity had ever experienced. Shortly after Japan's miracle, Hong Kong, Korea, Singapore, and Taiwan also took off and managed to maintain high growth rates for quite some time. These five economies attained high income very quickly. It is impossible to understand their rapid growth without linking it to their industrialization and the changes it brought.

Yet, not all Asian countries have experienced high growth rates during the last decades, much less attained high income (none outside the group above). Among the seven nations discussed in the *Asian Drama* about 60 years ago, only Malaysia is relatively close to making it into the high-income league, but it is not yet there. The rest of the countries covered in the *Asian Drama*, including the Philippines, are still very far, and for the reasons Myrdal advanced.

The Philippines

Although the Philippines was not the central focus of the *Asian Drama*, Myrdal's analysis encompassed the nation within the broader context of Southeast Asia's economic and political landscape. His observations on the Philippines can be summarized as follows:

(i) the Philippines inherited a colonial administrative structure that lacked the robustness needed for effective governance. This legacy contributed to **persistent institutional weaknesses** post-independence;

(ii) it suffered from significant **disparities in wealth and land ownership**, which hindered cohesive national development and perpetuated **poverty** among large segments of the population;

(iii) there were **deficiencies in the education system**, and he emphasized that limited access and quality impeded human capital development, which is crucial for economic progress; and

(iv) **political volatility** was high, including frequent changes in leadership and policy direction, which disrupted consistent developmental planning and implementation.

Aren't these ideas (assessment) the same as those being discussed today about the Philippines' impediments to develop? The Philippines never industrialized like its neighbors. While the contribution of manufacturing growth to output (GDP) growth is significant, the share

of manufacturing employment in total employment is a rachitic 7-8%. This low share is not necessarily a sign of underperformance of the manufacturing sector itself (in fact employment in the sector has increased) but of the fact that other sectors (services) are creating employment faster. The sector's value added is relatively low, the major manufacturing activity in the domestic economy is food, and about half of Philippine exports are electronics but mostly assembly. This is where the big shift is needed. The Philippines needs manufacturing firms with high organizational capabilities and that make products that compete in the world economy. As Felipe et al. (2026) argue and show, the manufacturing employment share will not increase in the coming decades *unless* industrialization becomes the center of the policy agenda.

While it is true that parts of the Philippine economy and society have undergone modernization, very significant portions are still in a pre-capitalist mode of production and in a pre-capitalist state of mind and, consequently, live in a state of *Galbraithian accommodation*. Unless the desire for change that leads to development impregnates Philippine society, the country will continue progressing very slowly.

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