



STUDY MATERIAL

**VIVEKANANDA COLLEGE  
THAKURPUKUR**

NAAC Accredited Grade —A

# **GEOGRAPHY**

## **(HONOURS)**

### **Theory of Cumulative Causation after Karl Gunnar Myrdal**

**(Economic Geography)**

**Kunaljeet Roy\***

\*CWTT, Dept. of Geography, Vivekananda College, Thakurpukur

### **About Myrdal and contextual background:**

Toner (1999) recognizes A. Young, Rosenstein-Rodan, A. O. Hirschman, K. G. Myrdal and N. Kaldor as Cumulative Causation (CC) theorists and compares their theories mainly by the following three concepts: increasing returns, external economies, and complementarities respectively. Being a Swedish Economist, Myrdal experienced three academic stages in his life: a theoretical economist or a member of Stockholm school, a politician, and an “institutional economist” as he called himself (Fujita, 2014). Myrdal admitted that he had drawn his preliminary ideas from Wicksellian monetary theory, as his main theoretical tool in analyzing practical socio-economic problems.

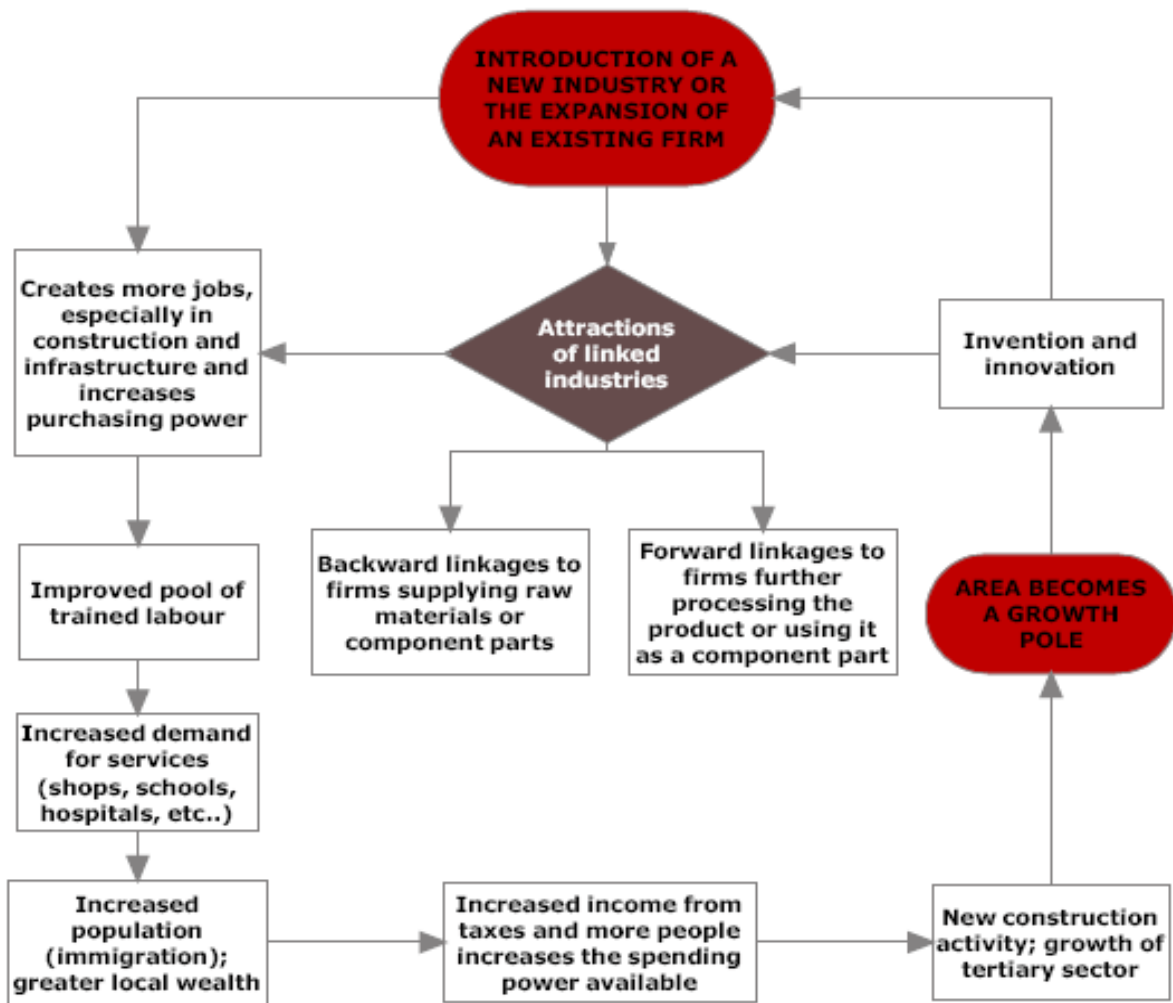
### **Circular cumulative causation: The ‘Swash’ & ‘Backwash’ effects on underdeveloped economy**

By meaning Cumulative Causation (CC) Myrdal proposed the idea of overlapping between spatial agglomerations of industrial outcomes and increasing regional as well as global trade deficits. Myrdal’s CC theory has emphasized a divergent process. Such a process is well known as a typical logic of CC theory in general. Myrdal (1957) proposed a concept of “backwash effects” in order to explain the increasing economic inequality between developed countries and underdeveloped countries. The opposite or exceptional thesis of “spread effects” Contrary to the first thesis, emphasize on the logic of convergence.

For elaboration of the idea Myrdal indicated about the core-periphery hypothesis of spatial economics:

- **Core:** Initially based on comparative advantages in the form of resource rich hinterland, further developed from multiplier effect, increased tax revenue, upgradation of infrastructure related to public health, mass education, enhanced supply of skilled labour etc.
- **Periphery:** In contrary, these are comparatively inaccessible, under populated (though there are exceptions), resource less portions of the globe.

Thus the concept of Myrdal optimally criticizes the classical economist’s claims about the potential growth of a nation related to trade as an engine for growth. To be specific, absence of foreign trade equilibrium can dismantle the balance between foreign economy related a poor or underdeveloped nation.



Myrdal had also pointed out about the notion of ‘**Brain Drain**’ in lieu with the exchange of soft skill personnel against the price of developing infrastructure.

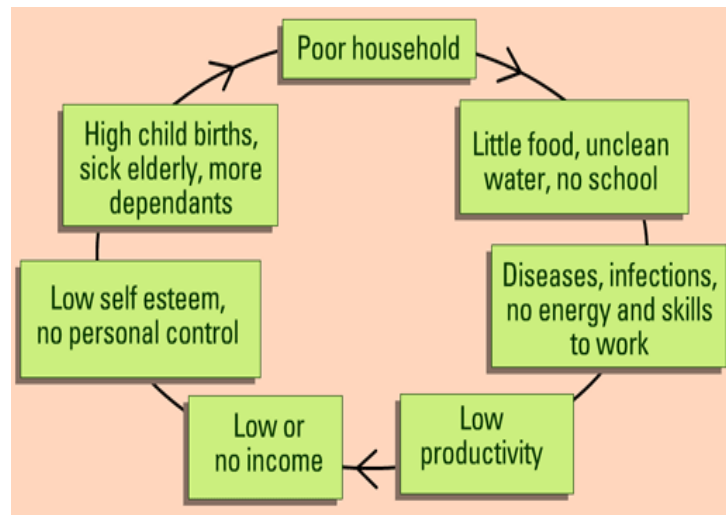
Brain drain, also known as human capital flight, can occur on several levels.

- **Geographic brain drain:** Occurs when talented professionals flee one country or region within a country in favor of another.
- **Organizational brain drain:** Involves the mass exodus of talented workers from a company, often because they sense instability, a lack of opportunity within the company, or they may feel that they can realize their career goals more easily at another company.
- **Industrial brain drain:** Happens when skilled workers exit not only a company but an entire industry.



### CC theory: evaluation in nutshell:

- Myrdal strongly advocated that economic development results in a circular causation process where the rich are thoroughly benefited with more favours and poor become poorer in a disguised envelope of so called 'economic growth'.
- The resource rich regions of underdeveloped nations gradually become mere 'supply chains' and ill fatedly convert into '**Growth Pole**' (coined by **Francois Perroux**). It encourages biased economic development to particular points and thus encourages regional disparity.
- For less developed and developing nations, backwash effect can turn on the fear factor related to the '**Vicious cycle of poverty**'. It also triggers the quotient of '**surplus labour population**', noted by Marx.
- In continuation of the above, factors like under development, economic and social backwardness continuously accelerate low human productivity and lesser aspirations regarding life.



### Further Reading:

- Fujita, N. (2004). *Gunnar Myrdal's Theory of Cumulative Causation Revisited*, Economic Research Center Discussion Paper, Graduate School of Economics. Nagoya University, Japan.
- Myrdal, G. (1960). *Beyond the Welfare State: Economic Planning and its International Implications*. Yale University Press.
- Myrdal, G. (1963). *Challenge to Affluence*. Pantheon Books.
- Myrdal, G. (1968). *Asian Drama: An Enquiry into the Poverty of Nations*. The Penguin press.
- Myrdal, G. (1974). *Against the Stream: Critical Essays on Economics*. Palgrave Macmillan.
- Panico, C & Rizza, M.O. *Myrdal, Growth processes and Equilibrium Theories*.  
<http://citeseerx.ist.psu.edu>. Retrieved on June 03, 2018.