Myrdal’s Circular Cumulative Causation Theory

Definition:

Circular cumulative causation is a theory developed by Swedish economist Gunnar Myrdal in the year 1956. It is a multi-causal approach where the core variables and their linkages are delineated. The idea behind it is that a change in one form of an institution will lead to successive changes in other institutions. These changes are circular in that they continue in a cycle, many times in a negative way, in which there is no end, and cumulative in that they persist in each round. The change does not occur all at once as that would lead to chaos, rather the changes occur gradually.

To put Myrdal’s view in a better perspective let us see what he has to say on the subject. According to Myrdal,-

“if things were left to market forces unhampered by any policy interferences, industrial production, commerce, banking, insurance, shipping and indeed almost all those economic activities which in developing economy tend to give a bigger than average return and, in addition, science, art, literature, educational higher culture generally – would cluster in certain localities and regions, leaving the rest of the country more or less in a backwater”. By whatever factors-natural, manmade, or historical space growth gets started in a particular regions and meets with initial success, all sorts of economic and non-economic activities start concentrating there. This happens because of ever increasing internal and external economies – interpreted in the widest sense of the word to include, for instance, a working of population trained in a various crafts, easy communications, the feeling of growth and elbow room and the spirit of new enterprise”.

In Myrdal’s analysis, the growth in progressive (or advancing) regions affects the growth in lagging (or depressed) regions through:

(i) Spread effects and,

(ii) Backwash effects.

The spread effects are the centrifugal forces of expansionary momentum emanating from the centres of economic expansion to other region. Thus, the spread effects have a positive impact on the development of other region.

Because of growth in the progressive region, on the one hand, demand for agricultural products and raw material from other regions in increased, and on the other, advanced technology is made available to lagging regions which they did not formally processes. On account of these two factors, growth in the other regions is promoted. In contrast to the spread effect, the backwash
**effects** are those effects emanating from the centre of growth that discourage growth in the other area.

Because of their rapid growth, in contrast to the stagnation of other regions, the centres of growth (or progressive regions) attract net immigration from other parts of the country. There is a net movement of population, capital, and goods in favour of the progressive regions while the backward regions are continually denuded.

Since the migration from backward regions to progressive regions is generally selective in the sense that it is normally the young, the educated; and the healthy that migrate, the age structure in the lagging regions becomes lopsided. All these factors have an adverse effect on the growth of backward regions

According to Myrdal, “in the marginal case the two kinds of effects will balance each other and a region will be stagnating. But this balance is not a stable equilibrium, for any change in the forces will start a cumulative movement upwards or downwards”. In whatever direction (upward or downward) the movement starts, it tends to be cumulative. This is so because, according to Myrdal, “in the normal case a change does not call forth countervailing changes but, instead, supporting changes which move the system in the same direction as the first change but much further. Because of such circular causation a social process tends to become cumulative and often the gather speed at an accelerating rate”. If the initial starts are many and strong and if the spread effects work effectively, economic growth of all regions of the economic will be promoted “the problem of inequality than becomes a problem of the different rates of progress between regions in the country”.

However, Myrdal notes that even rapidly developing country or in an advanced economy some regions are bound to lag far behind and even stagnate or decay. In the most advanced country of the world USA, the south remained till recently a stagnating region. This shows that the backwash effects are likely to dominate the spread effects for a number of years even in the advanced economies. The fates of the underdeveloped countries are far weaker than the spread effects in the advanced countries because such effects are themselves “a function of the level of economic development actually attained”. Therefore, under conditions laissez-faire (i.e., under the conditions of a free market economy), the regional inequalities in the underdeveloped countries are expected not only to the larger than the inequalities in the developed countries but also possessing a tendency to increase at a faster rate.

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**Supporting Information**

**Economic activities** are those activities of man which are undertaken for earning money. On the other hand, **non economic activities** are those activities, which are not undertaken for any monetary gain.

**Difference between internal and external economy**

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<td>Lower long run average cost</td>
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<td>Efficiencies from larger scale of production</td>
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