

THE NORTH-SOUTH PROBLEM AND ECONOMIC NATIONALISM

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I. INTRODUCTION

OF FIRST IMPORTANCE is the fact that the North-South Problem is a problem the chief theme of which is the "development" of those countries known as underdeveloped or developing countries. Needless to say, this concept of "development" must be understood as being a broad concept encompassing the political, economic, social, and cultural factors of the countries concerned. Here, however, in order to avoid making the handling of this question overly complex, we are forced to limit this concept of development to a narrower meaning including mainly economic development.

A second matter of importance is the recognition that the problem of the economic development of underdeveloped countries should not be treated simply as a domestic problem of the countries concerned or as an isolated system cut off from international economic relations, but rather as a problem within the context of dynamic interactions—of "challenge-and-response," of dependence on and resistance to the developed countries. In this sense, the problem of the economic development of the underdeveloped countries is first and foremost a problem of "international relations," and it is worthy of note that the reason for its being called the "North-South Problem" is directly related to this view of its nature.

A third necessity is the recognition of the grim fact that within the framework of the international economic order (where there simultaneously exist two different groups of nations which differ in kind, of developed countries on the one hand and underdeveloped countries on the other, of rich countries and of poor countries, of countries between which there is an absolute disparity in respect to income levels and technological density), if no regulation or adjustments whatever are made and market forces are allowed free play, then the presently existing "international economic inequalities" will not only remain as they are but will even tend toward ever greater increase.

Fourth and most important is the fact that the nationalism of the peoples of underdeveloped countries, as a "Great Awakening," has become a "psychological and political" [23, p. 19] fact which demands that the existing rigidities of the international economic system be overthrown and further equality of opportunity be given, for these economic inequalities between nations and their tendency to increase have not been accepted as inevitable, but rather it was thought that the developed countries of Western Europe which had been their former colonial

rulers should naturally enough bear a good part of the heavy responsibility for having reduced them to such a state in the first place.

Thus, the problem of the economic gap between the developed countries of the north and the underdeveloped countries of the south carried within itself the problem of a political gap rooted in factors of psychological dissatisfaction and protest, and this had the result of giving a special distortion to the form in which the nationalism of the underdeveloped countries appeared. Now the North-South Problem is no longer one of merely adjusting relationships on a purely economic plane. It is at the same time a problem of overcoming tensions on a political plane, a problem which now attracts a great deal of attention. With this perception of the problem, it follows as a matter of course that the viewpoint for the consideration of, and the method of approach to, the North-South Problem must be a politico-economic one.

Approaching the North-South Problem from a politico-economic viewpoint means that the object of our attention will have to be the relationship of dependency and resistance in international economic relations between the nationalism of the developed countries and the nationalism of the underdeveloped countries, as well as adjustments in this relationship. This is because, no matter what the variations in form may be, for both the developed countries and the underdeveloped countries it has been and always will be nationalism that has been the fundamental driving force behind economic formation. Here also lies the reason why we are essaying an approach to the analysis of the North-South Problem which attaches great importance to the problem of nationalism and the viewpoint of economic nationalism that is a manifestation of the economic aspect of nationalism.

II. HOW THE DEVELOPED COUNTRIES AND THE UNDER-DEVELOPED COUNTRIES RELATE TO NATIONALISM

—What Divides the Western Pattern and the Asian Pattern

Generally, it can be said that nationalism as a modern concept conceives of a state based on nationality as being supreme and that this term nationalism signifies the totality of ideas and movements striving for self-perfection as a unification of the political, economic, and socio-cultural aspects of development of such a nation-state, that is, as a meaningful unity of the national state, the national economy, and the national culture [15, chapter 1].

In the course of the unfolding of world history, the prototype of the development of nationalism in this modern sense has, needless to say, been that which occurred in Western Europe and whose age of completion was the second half of the nineteenth century. Western nationalism of this period fought for a two-fold task of modernization—democratization politically and industrialization economically. And the guiding principle of the nationalism was, above all, “political and economic national unity.” In general, the effort for the formation of a national economy based on such a guiding principle can be called economic nationalism.

Needless to say, Great Britain, which was the first country to accomplish an industrial revolution, was the most developed country in the international economic order of the Western world of the nineteenth century from the viewpoint of industrialization. In contrast to this, France, the United States, Germany, Russia, and Italy (in Asia, Japan) were, relatively speaking, underdeveloped countries. It was impossible for these underdeveloped countries, which were in a period of transition from the agricultural stage to the industrial stage, to compete as equals in the system of free trade with Great Britain, which had already arrived at the highest stage of economic development and stood at the very forefront of world industrial civilization. For this reason, in the 1830s and 1840s there appeared between the highly developed Great Britain and the relatively underdeveloped countries of Europe a problem which was very similar to the North-South Problem of today.

Thus, it was not without reason that Friedrich List's doctrine of economic protectionism, armed with the theory of stages of development and the theory of national productive power, contended against Adam Smith's doctrine of economic liberalism. It was not only List's protectionism that was economic nationalism. Smith's liberalism, too, bore the character of economic nationalism, for it fitted in well with the national interest of Great Britain. Thus, German economic nationalism, while competing with that of Great Britain, completed a self-sustaining national economy by means of a protective tariff system for fostering national industry. In the same fashion, the other underdeveloped countries of Western Europe each managed to achieve economic take-off along the same lines as List's theory and policy and eventually formed the nucleus of the modern north group of industrially developed countries [16].

In contrast, then, what are the tasks and character of the nationalism of the underdeveloped countries of the south in the second half of the twentieth century?

In so far as it is worthy of the name "nationalism" at all, nationalism has but one basic task: the formation of an autonomous national state, a self-sustaining national economy, and a national culture of identity. This task is exactly the same for all countries. However, although the task may be the same, there is such a gulf between the initial conditions in which the underdeveloped countries of the twentieth century that are facing this task find themselves and the initial conditions in which the underdeveloped countries of Western Europe of the nineteenth century found themselves at the outstart of facing this task that comparison is practically impossible.

First of all, the underdeveloped countries of the present day are not simply underdeveloped countries or backward countries but are, as it were, "ex-colonial backward countries" [17, chapter 1]. This concept is closely tied to the basic fact that almost all of the underdeveloped countries which we are concerned with today were once under the domination of Western colonialism, either as colonies, semi-colonies, or dependencies. The problem of handicaps in regard to initial conditions cannot be considered independently of the status of ex-colonial backward countries. The nationalism of the ex-colonial backward countries cannot be understood in simple terms as the nationalism of underdeveloped countries vs. the

nationalism of developed countries. The manifestation of such nationalism is more complicated and manifold than this.

The task of economic nationalism, too, does not simply stop at the List-type problem of the formation of a national economic system by means of industrialization and protectionism. That is to say, it is not possible to pass over the task of complete liquidation of the dual colonial economic structure that is a legacy of colonial days and the colonial pattern of economic development that is based on such a dual structure. In other words, it is not possible to bypass the task of "system-transformation" from a colonial economic system to a national economic system. Depending on whether the solution of this task is left to moderate gradualism or radical extremism, "enlightened nationalism" or "emotional nationalism" results. This choice of which type of nationalism to follow depends on how, from the viewpoint of economic development, the rigidities of the legacy of colonialism in the form of dominance of local elements by foreign elements is evaluated.

Secondly, the international economic environment confronting the ex-colonial backward countries of today, as opposed to that of the nineteenth century, is so seriously severe in respect to both the degree of international economic inequality and the speed of the technological progress which is the propelling force behind industrialization that even the will to catch up is sapped. It is not just that today's amazing technological innovation has developed all sorts of synthetic chemical worlds. The speed of this innovation, too, has been and is such that even if they are able somehow to keep up technologically, it becomes a matter of extreme difficulty for these countries to adapt and absorb on the level of the economy, the society, and the life of the people the broad repercussions that result from such technological innovation. As so well put by Gunnar Myrdal in his *Asian Drama*, it must be said that:

. . . in a sense, the most fundamental difference in initial conditions between the South Asian countries today and the Western countries in any period of their pre-industrial phase is *the difference in the pace of history*.

Change was not rapid in the beginning of Western development prior to industrialization.

All the major 'revolutions' of the West—religious, intellectual, geographic, and even political—occurred long before the Industrial Revolution, and they proceeded slowly, thereby permitting a relatively smooth adaptation of all relationships in society. Thus Western Europe had several centuries in which to become accustomed to, and prepare for, change.

And so the ideas of change, adaptability, and mobility were gradually accepted as a way of life. [27, pp. 700-701]

In the case of the underdeveloped countries of today, however, the "quickenning pace of history" and the "dynamics of technological progress will work to the ever greater disadvantage of the underdeveloped countries, increasing their difficulties and decreasing their development potential."

Thus, the extremely cruel state of initial subjective and environmental conditions at the developmental start is often a major factor leading the nationalism of the ex-colonial backward countries to a "reactive nationalism" that seeks an outlet

for distrust, impatience, dissatisfaction, and frustration.

III. EXTERNAL BOTTLENECKS OBSTRUCTING DEVELOPMENT

—Prebisch's Approach and Its Limitations

Here it would appear that a rather detailed understanding is required of us of the reality of the disequalizing factors both external and internal that act as a barrier to sound development of economic nationalism of the ex-colonial backward countries today as well as of the continuing effect of such factors.

It is Raúl Prebisch¹ who has explained the economic inequalities existing between the developed countries and the underdeveloped countries and the tendency for these inequalities to continually expand—the phenomena, whereby this tendency was interpreted, were the tendencies of widening gaps in income, savings, trade, growth, and other economic aspects—by using the concept of “central countries” or “industrial centers” vs. “peripheral countries.” According to Prebisch, the existing international economic order is comprised of central countries with highly advanced industry and peripheral countries which are dependent chiefly on the production and export of primary products. Historically, this international economic order is so arranged that the central industrial countries receive a very large share of the profits derived from technological progress and improvement of productivity, whereas the peripheral underdeveloped countries receive but a very small share.

From this result inevitably a disparity in the growth of income and a tendency for this disparity to increase. Prebisch's theory is explored as a policy theory giving a theoretical basis to the long-run tendency for the prices of primary products to deteriorate relative to the prices of manufactured goods and to the international redistribution of income. The main point which he stresses is the existence of “external bottlenecks” in terms of the persistent trend toward external disequilibrium in the peripheral countries, and in the final analysis he sees these external bottlenecks as arising from the “structural differences” existing between the central industrial countries and the peripheral primary-product countries. This is due to the very fact that the economic structure of the primary-product countries lacks the capacity and conditions for making effective production adjustments and structural transformation in response to fluctuations in the world demand and prices for their products.

Although this is not the place to discuss in any detail the disadvantageous

¹ The reader can inform himself more fully on the basic way of thinking of Prebischian theory by referring to the following works:

- 1) R. Prebisch, “Commercial Policy in the Underdeveloped Countries,” *American Economic Review, Papers and Proceedings* [31].
- 2) R. Prebisch, “The Economic Development of Latin America and Its Principal Problems,” *Economic Bulletin for Latin America* [32].
- 3) R. Prebisch, *Hacia una dinámica del desarrollo latinoamericano* [33].
- 4) R. Prebisch, *Towards a New Trade Policy for Development* [34].
- 5) R. Prebisch, *Towards a Global Strategy of Development* [35].

factors Prebisch pointed out with regard to external disequilibrium², it should be pointed out that Prebisch considers as very important the fact that, due to the cumulative effect of the many disadvantageous factors, it is inevitable that external bottlenecks which are a powerful brake on the economic development of the peripheral countries should arise. This observation of Prebisch's that the factors working for international inequality between the central countries and the peripheral countries should be sought in a structural disparity between them and that the root of such structural disparity is to be traced to the external bottlenecks is, one must admit, indeed correct. However, he directs the focal point for solution of the problem, not to a deep analysis of the structural disparity itself, but rather only to treatment of the symptoms by alleviating or reducing the external imbalance which is only a phenomenal form of the external bottlenecks.

Demands on the developed countries for international cooperation by way of maintaining and improving prices for primary exports, organizing commodity markets, and providing compensatory or supplementary financing and general preferential tariffs for manufactured or semi-manufactured goods are demands for such treatment of the symptoms. As everyone knows, decisions in the United Nations Conference on Trade and Development (UNCTAD) concerning the choice of topics and the direction of debate have all been made according to this Prebisch approach.

Will it be possible, however, to eliminate disequalizing factors at work in the international economic order which form the central core of the North-South Problem by moving in the direction of, as it were, *ex post facto* supplementary policy efforts in the area of international cooperation in line with such an approach? People who place their hopes on such a possibility actually mistake the underdeveloped countries of today, that is, the ex-colonial backward countries, for nineteenth-century Listian countries. The Listian backward nation was "qualified" (*berufene*) to catch up with Great Britain, the advanced industrial nation, solely by means of policy measures in the area of trade and commerce, that is, protective tariff systems. But the underdeveloped countries of today are completely different from this.

In this sense, it can fairly be said that Prebisch's way of thinking cannot escape the criticism of being in large measure the economic nationalism of the nineteenth century translated into modern terms, and must be recognized as really failing to come to grips with the essential character of the economic nationalism of the ex-colonial backward countries in the second half of the twentieth century.

² The following works offer criticism of the proposition that the terms of trade are tending to worsen and of Prebisch's theoretical explanation of this tendency:

- 1) M. June Flanders, "Prebisch on Protectionism: An Evaluation," *Economic Journal* [6].
- 2) Harry G. Johnson, "Analysis of Prebisch's Views on the Terms of Trade," in *Economic Policies Toward Less Developed Countries* [19].

IV. THE LOGIC OF INTERNATIONAL ECONOMIC INEQUALITIES

—Myrdal's Approach

Gunnar Myrdal has developed from a different viewpoint than Prebisch's approach his own theory explaining the economic inequalities existing between the developed and the underdeveloped countries and the trend for those inequalities to increase.

According to Myrdal, it is of basic importance that a certain "social law" be recognized that, whether internal or external, economic inequality already existing, provided there is no interference of forces from the outside to regulate it and it is allowed free play, will certainly not head in the direction of equality but rather has a tendency to increase this inequality more and more. Myrdal called the principle governing this social law "the principle of circular and cumulative causation" [28, p. 11]. This principle should be distinguished from the "vicious circle of poverty" concept, which is vaguely expressed in the words "poverty becomes its own cause." It must be noted that this is not simply circular causation but that this causation is characterized by a circular movement that invariably either rises or falls, with cumulative effects in both cases. Therefore, in this case the "vicious circle of poverty" must be clearly formulated as a cumulative development of a "vicious circle downward."

This is due to the fact that this view of Myrdal's was from the beginning never based on purely economic considerations, with disregard for non-economic factors, but rather was based on a socio-economic approach that took non-economic factors to be economically relevant. It was also from this standpoint that Myrdal strongly rejected as a "false analogy" the application of the concept of "stable equilibrium" to socio-economic reality from a purely economic standpoint.

Myrdal explains this in the following way [28, p. 13]. The concept of stable equilibrium is based from the very beginning on the fundamental premise that in the social process every change inevitably gives rise to "countervailing changes" that move in approximately the opposite direction of the first change within the same system and that the direction of movement is toward a situation that can be called a state of equilibrium between the forces. However, as opposed to this, in the normal case, a social system does not move in the direction such automatic self-stabilization by itself but rather always gives rise to movements away from such a situation of equilibrium, that is, it gives rise to "supporting changes" in the same direction as the first change. Because of such circular causation, every social process becomes cumulative and often increases speed in an accelerating fashion—exactly the opposite of the natural tendency toward endogenous equilibrium within the system. As long as the general character of social change is such, this change cannot be explained by the application of the principle of stable equilibrium, as in pure theory, but rather must be explained by application of the principle of circular and cumulative causation. From the standpoint of viewing economic processes as social processes and an economic system as a "social

system,"³ Myrdal established a "general theory of social change."

If one accepts Myrdal's basic stand as explained above, the contention of international trade theory built on the theory of general equilibrium, that trade generally gives rise to a tendency towards gradual equalization of factor costs and incomes between countries, is false. Reality is the exact opposite of this, for a normal result of control-free trade between industrial and underdeveloped countries is not gradual equalization but rather a cumulative process toward relative impoverishment and stagnation of the underdeveloped countries, a process which has the opposite effect of increasing the tendency toward economic inequality [28, p. 99].

Myrdal used two conceptual tools [28, pp. 30-31], the "spread effects" and "backwash effects" of market forces, to explain the basic tendency that trade must work to the advantage of the comparatively rich industrial countries and to the disadvantage of the poorer underdeveloped countries. Both of these effects tie in with the cumulative effects that occur during the process of circular causation. Since the spread effects are in themselves a "function of the level of economic development actually attained" [28, pp. 30-31], the reality is that they are stronger in the richer and weaker in the poorer countries. Furthermore, there is a tendency for backwash effects to work more strongly than spread effects in the poorer countries. As a result, when market forces are allowed free play, the underdeveloped countries receive strong backwash effects which cause an increase in the economic inequalities at work between them and the developed countries.

Now, it should be noted that the problem of international economic inequality between the richer countries and the poorer countries is in reality closely related to the problem of internal economic inequalities in the poorer countries. Furthermore, one should note that these two types of inequalities are a cause of each other in the circular and cumulative process [28, p. 50]. It must be said that Myrdal was right in putting the emphasis of his theoretical analysis on an inner logic of disequalizing factors, internal as well as external.

V. ANALYSIS OF INTERNAL DISEQUALIZING FACTORS

—The Dualistic Economy as a Heritage of Colonialism

The countries of the south which we concern ourselves with today in relation to the North-South Problem were made subordinate to the countries of the north politically as well as economically in the "opening-up" [23, p. 23] process of world history. They were the objects and appendages of imperialistic colonial rule. Prebisch's peripheral countries vs. central countries concept must be understood in terms of such a historical background.

³ Myrdal interprets a "social system" as being a system of interrelationships between conditions classified into the following six broad categories: (1) output and income; (2) conditions of production; (3) standards of living; (4) attitudes toward life and work; (5) institutions; (6) policies. (1) through (3) are economic factors, and (4) through (6) are non-economic but economically relevant factors [27, Vol. 3, pp. 1859-64].

After the Second World War, most of the countries of the south achieved political independence, and the traditional colonial system collapsed. However, in spite of this fact, one must recognize that the vestiges of colonialism still remain deeply rooted in the socio-economic system of the countries of the south and that these vestiges are still working as the chief disequalizing factors within these countries. Without a basic recognition of the historical distortion brought about by this colonialism, it is entirely impossible to realize the essential character of the North-South Problem. And what Prebisch called "structural differences" between central countries and peripheral countries must, in the final analysis, be seen as an outgrowth of historical distortion suffered by the ex-colonial backward countries.

Up to now many scholars have discussed in different ways this historical distortion and the characteristics of the heterogeneous structure within the socio-economic system of the ex-colonial backward countries which were generated on the basis of such distortion. For example, J. H. Boeke [1] has used the concept of "dualistic economies" and "dualistic societies"; J. S. Furnivall [8] the concept of "plural economy" and "plural society"; S. Herbert Frankel [7], the term "multi-racial societies"; and Hla Myint⁴ has written of "dualism of the mines and plantation sector and the peasant sector" and "financial dualism," in particular. Also, Myrdal has characterized the colonial economy as an "enclave economy" [25, p. 58].

Myrdal attempted to focus attention on the fact that the capital, technology, and skills sent from the foreign colonial country to the colony tended to form "enclaves" tied to the economy of the colonial country but isolated from the local economy, and that instead of providing spread effects of expansionary momentum, the opposite happened—the local economy was affected by greater backwash effects. Myrdal stressed the fact that, by creating the dualism of the "enclave" economy, colonialism deprived the local economy of the national economic integration that is so important to its development. In his final judgement, "the relations between relative lack of national economic integration and relative economic backwardness run both ways" [28, p. 51].

Here we should be careful to note that the dualism that these scholars have understood as characterizing the structure of the ex-colonial backward countries is entirely different in nature from the concept we use in discussing the dual structure of the Japanese economy. In the case of Japan, what is discussed is a disparity in the sense of the degree of difference between two sectors within the same socioeconomic system. But in the case of the ex-colonial backward countries, the term "dualism" must be used in the sense of two different socioeconomic systems existing side by side at the same time. Stated another way, the dualism inherited from colonial capitalism is nothing but a dualism between the foreign economic system and the indigenous economic system [18].

⁴ H. Myint [23, chapters 3, 4, and 5, and 24, chapter 14]. Particularly in regard to financial dualism Myint makes a comparative study of the old type of the colonial period and the new type that appeared after financial independence. See pp. 324–31.

The dualistic, pluralistic structures created by colonialism gave rise to extraneous and privileged social groups, and these formed influential socioeconomic forces which once supported colonial authority and which after independence became a rigid social stratum obstructing equality of opportunity in economic activities. The remaining colonial entrepreneurs, the comprador capitalists, the absentee landlords, the money lenders, and the middlemen—all these belong to this social stratum. In particular, the cleavage and rigidity of extraneous, pluralistic social structures in which such Oriental foreigners as Overseas Chinese and Indians comprise the middle class would seem to be extremely frustrating to the indigenous people.

Thus, in the countries of the south that had once been colonies, for the very reason that the society had been colonial, a deep imprint of the dualistic, pluralistic, multi-racial heterogeneity of the society's structure was left, and in this sense there was a lack of national economic integration. The economic disequalizing factors at work in the heterogeneous society brought, in accordance with what Myrdal called the law of "circular and cumulative causation," backwash effects greater than any spread effects, and as a result prevented the spread of expansionary momentum from the developed countries abroad. It should be noted that these disequalizing factors are the reason for the stagnation and backwardness of such societies.

Viewed in this way, there seems to be little ground for dispute that the problem which concerns Prebisch, that of international economic disequalizing factors and external bottlenecks is closely related to the problem of domestic economic disequalizing factors and internal bottlenecks in the ex-colonial backward countries. In this sense, what is of most importance is that, from the viewpoint of evaluation of the legacy of colonialism, the international and the internal economic disequalizing factors must be understood as a unified whole. Although Prebisch has essayed a detailed analysis [33] centering on Latin American society in regard to the structural factors of internal bottlenecks lying at the bottom of external bottlenecks, his approach has its limitations because his analytical viewpoint was not that of colonialism. In this regard, Myrdal's penetrating view that "colonialism meant primarily only a strengthening of all the forces in the market which anyhow were working towards internal and international inequalities" and that "it built itself into, and gave an extra impetus and a peculiar character to, the circular causation of the cumulative process"⁵ should be highly evaluated.

VI. THE ECONOMIC SYSTEM AND ECONOMIC NATIONALISM —the Fateful Encounter between the Developed and the Underdeveloped Countries

It must be said that the basic problem in respect to economic development from

⁵ [28, p. 60]. Using the expression "the specific heritage of unbalanced and uneven change inherent in the colonial and contact situations," Eisenstadt, too, has pointed out the distortions of Westernization under the pressure of colonialism [3, p. 452].

the viewpoint of the ex-colonial backward countries of the south is, above all, how to eliminate the disequalizing factors within the socioeconomic system inherited from colonialism, how to integrate into a homogeneous whole the heterogeneous dualism brought about by foreign elements, and how to transform the colonial economic system into an autonomous, self-sustaining national economic system and build a base for sound economic development. In a word, the primary task of the economic nationalism of ex-colonial backward countries is none other than the problem of "system-transformation," of change from a colonial system to a national system. And this task can be achieved only in the process of policy efforts for the rational organization or institutionalization of economic nationalism.⁶

The goal of such policy efforts is, more or less, "de-alienization" [9, pp. 321-45]. The policy of the nationalization often pushed by the governments of ex-colonial backward countries is aimed at freeing the country from the monopolistic control of large foreign enterprises, great plantations, monolithic trading firms, and large banks. The promotion of land reform⁷ and cooperatives is tied to efforts to achieve freedom from parasitic exploitation by Oriental foreigner absentee landlords, money lenders, and middlemen. Furthermore, industrialization and the policy of protectionism that accompanies it are indications of an effort to construct from a monocultural, lopsided system of production a "well-balanced, diversified" national system of productive power. All of these are policy efforts for removing internal disequalizing factors and international destabilizing factors.

Another matter that deserves attention here is the fact that this economic nationalism often trends to learn many lessons in regard to methods of organization from socialist methods of "system-revolution." Why is it that the economic nationalism of the ex-colonial backward countries should lean strongly toward socialism in the broad sense? One is forced to conclude that the stronger the disequalizing rigidities at the uneasy stage of the transition from stagnation to development, the greater is the possibility of a switch to a socialist system in the broad sense.

The reactive character of the nationalism of the ex-colonial backward countries and its revolutionary character in overcoming the *status quo* made it so. Thus, the fact must not be overlooked that, generally speaking, the economic nationalism of the ex-colonial backward countries, although having as its fundamental task in its organizing efforts "system-transformation" from a colonial system to a national system, focuses its policies on a "system" point of view, while the problem of "system-revolution" or a leaning to socialism, which often happens in certain the situations, is also tied in with such a policy focus.

⁶ H. Myint was the first to maintain the crucial importance of thoroughly exploring and truly understanding the "disequalizing factors at work against the backward peoples." At the same time it should be noted that it is also he who has strongly warned against the danger of excessive use of countermeasures in order to remove these disequalizing factors leading to extreme and irrational economic nationalism. H. Myint, "An Interpretation of Economic Backwardness" [24, pp. 89-91].

⁷ Myrdal stresses "nationalization," "land reform," and "large-scale reforms of the social structure" as being the main strategy of the development planning of the underdeveloped countries [28, pp. 72, 81, 83, and 25, pp. 171, 177, 183].

In this sense, although in his work *Economic Nationalism in Old and New States* [19, pp. 1-16, 124-41], Harry G. Johnson mentions the various special features of the economic nationalism of newly emerging nations—demands for acceleration of economic development by economic planning, a tendency to stress industrialization as the necessary path to economic development, a way of thinking that gives preference to public enterprises over private enterprise, trade policy which emphasizes on import substitution industries, strong opposition to foreign investment and foreign firms, etc.—he is not concerned with explaining the features from a unified analytical point of view. Therefore, although he expresses the penetrating criticism that the economic nationalism of the newly emerging nations (which view the problem as being one of “system change”) “will tend to direct economic policy toward the production of psychic income in the form of nationalistic satisfaction at the expense of material income” [19, p. 14], such a criticism, it must be said, is a merely technical criticism.

Let us now reflect on the character of the economic nationalism of the countries of the north, including Japan, which now form the nucleus of the industrially advanced countries and moreover are on the way to the formation of a welfare state but which were once nineteenth-century backward countries. In this respect, Myrdal hit the mark when he suggested that the idea and policies of the welfare state are nothing more than a self-contained economic nationalism [26, p. 117].

The welfare state attempts, on the basis of a principle of “national solidarity,” to achieve systematically the maintenance and improvement of income levels and living standards while promoting the policies of full employment and social security and attempting to solve what might be called an internal “North-South Problem” by relieving the tensions between the rich and the poor. The economic planning of the welfare state is intrinsically domestic-oriented.

For this reason, it tends to succumb an appeal to self-defensive protectionist policies in international economic relations. It protects declining industries with a full employment policy and primary industries with a price support policy. In this way, a fateful “encounter” has occurred in the form of confrontation between the defensive (backward-looking) economic protectionism of the welfare state and the promotive (forward-looking) economic protectionism of the ex-colonial backward countries in the developing process, an encounter that was made inevitable by differences in the stages of development in industrialization. Furthermore, one must face the reality that there will be substantial difficulty in the achievement of accommodation between the economic nationalism of the ex-colonial backward countries and the economic nationalism of the welfare states, since both are involved in the national “economic system” problem in an essential way.

VIII. OUTLOOK FOR A NEW HORIZON—the Road to “Transnationalism”

As we have already seen, the more one considers the problem of economic nationalism implied in the North-South Problem, the less easy the road to a specific solution appears. We must have a clear recognition of the difficulty of this task and must never cease to be modest when suggesting solutions to it.

Since, as has previously been noted, all sorts of external and internal disequalizing factors stem from within the economic system of the ex-colonial underdeveloped countries, every effort must be focused on making a searching inquiry into their roots. Furthermore, it is necessary in this connection that the questions of what must be done by the underdeveloped countries and the developed countries not be set apart and considered independently of one another but rather that the problem be considered as one in which the efforts of both are to be unified for its solution. This in itself implies that the economic nationalism of both must stand together and look out on a "new horizon" from a high vantage point.

Today both the principle and the role of "international cooperation" are recognized as extremely important by the developed as well as the underdeveloped countries. What we have called here a "new horizon" is what might very well be called a "new" internationalism in which this principle of international cooperation in which this principle of international cooperation is consistently adhered to. Viewed from nationalism, it means shedding narrow, ethnocentric, conventional nationalism. It does not mean, however, discarding nationalism as such but rather a new nationalism transcending oneself from within the framework of a strong orientation toward internationalism. I should like to call this consciousness of the "immanent transcendence" of nationalism "transnationalism." Neither the nationalism of the developed countries nor the nationalism of the underdeveloped countries can stand on the common ground of international cooperation without first achieving such a transnational character change. It also follows that without such a change it will become impossible to proceed along the road to the solution of the North-South Problem through international cooperation.

Here it would seem appropriate to give some explanation of why I have attempted to understand in terms of transnationalism the present-day nationalism standing on a new horizon. Transnationalism is not the supranationalism⁸ which is often referred to as an ideal. Whereas transnationalism has the meaning of "immanent transcendence," supranationalism means an "absolute transcendence" of nationalism. It leaps outside the category of nationalism. It can no longer in any sense be called nationalism but rather should be understood as a globalism which is the opposite concept to nationalism.

Theoretically, there can hardly be any doubt that the ultimate goal for mankind will be such a globalism in the sense of supranationalism. However, in this case, just as nationalism has as its premise a national state that rests on a national community, globalism too must have as its premise a world state that rests on a world community. Nevertheless, the historical reality is that a world state in this sense has as yet never existed and can only be imagined as an abstract idea. It follows, then, that it is not permissible to direct ourselves immediately to the

⁸ Louis L. Snyder, after analyzing the relationship between nationalism and supranationalism from many angles, arrived at the following conclusion. "Supranationalism has tended to remain stubbornly within the realm of ideas and ideals. Nationalism, intense and persistent, remains the reality" [36, p. 323].

solution of such problem of reality as the North-South Problem on the basis of such an idea. Our approach must be much more realistic. It is only in this sense that we have suggested the road to transnationalism and not supranationalism, to a "new" internationalism and not globalism.

As noted above, nationalism is the totality of thought and action that forms, maintains, and causes to advance politically the national state, economically the national economy, and culturally the national culture. Nationalism pursues national interests as seen from the point of view of political interests, economic advantage and disadvantage, the prestige of the state, and the cultural mission of its people. The pursuit by a country of its legitimate national interests in international society is by no means in itself an obstacle to the normal development of international society. In this sense, the stand of transnationalism is a basic recognition of the role and function of nationalism as a political unit charged with the dynamic development of international society. As J. A. Hobson exquisitely stated, "nationalism is a plain highway to internationalism" [13, p. 9]. It is on this point concerning the fundamental understanding of the relationship between the state and international society that transnationalism differs basically from globalism.

At the same time, however, transnationalism recognizes the fact that, along with the accelerated pace of history, the fundamental relationship between the state and international society is rapidly changing, as well as the fact that it is necessary to adjust the role and function of nationalism so as to accommodate it to this change, which means, in effect, revising the whole concept of national interests.⁹ I should like to call this an "orientation toward relativism in the function of nationalism." "Orientation toward functional relativism" means efforts to widen the span and depth of the frame of reference of national interests as much as possible so as to make it fit in with the frame of reference of international interests. Stated another way, this means avoiding interpreting national interests inflexibly or viewing them as being absolute within their narrow and restricted frame of reference—to become more relative and flexible within the context of international interests.

The concept of nationalism or national interests has developed in the historical process of the interaction of pairs of opposing factors: power vs. ethical elements, national vs. international orientation, and centripetal vs. centrifugal forces. No state can exist in isolation without some kind of relations with other states. These relations include, on the one hand, relations of rivalry and, on the other hand, relations of dependence, and in reality the state strives for its existence and advancement through the interactions between these two kinds of relations. The problem is that, depending on whether in this relationship of interactions the former or the latter of these two elements is given greater emphasis, either nationally oriented relations of rivalry and tension or internationally oriented relations of dependence and cooperation become prominent. Leaning toward the former leads

⁹ The Pearson Report has also strongly emphasized this point, although from a different viewpoint than ours [30, p. 9].

in the direction of making the function of nationalism absolute. Leaning toward the latter leads in the direction of making it relative. The flow of history and changing times demand a change in the role of nationalism in international society. Whether one likes it or not, we are heading gradually along the road to relativism and not absolutism, and in this sense it is possible for us to foresee a "new" internationalism. Without a view of this new horizon, neither "peaceful coexistence" in East-West relations nor "international cooperation" in North-South relations will be possible.

VIII. TRANSNATIONAL COOPERATION IN THE ECONOMIC NATIONALISM OF DEVELOPED COUNTRIES

When we speak of making the function of economic nationalism relative, with self-change to transnationalism as a premise, we must recognize that a natural difference exists between that of the developed countries and that of the underdeveloped countries. The economic nationalism of the developed countries must be greater and stronger in its international orientation than that of the underdeveloped countries. Rather than saying that this is simply a demand, it would be better to say that the possibility of its realization has to a considerable extent already been historically proven, as demonstrated by the creation of the European Economic Community by six developed countries of Western Europe.

Even if one reserves giving a final answer to the question of how to interpret, from the viewpoint of character change in economic nationalism, this enormous change to regional economic integration¹⁰, it is possible to state with assurance that in this case each economic nationalism achieved self-sublimation to a typical kind of transnationalism by harmonizing the extremely strong national orientation of the welfare state systems on the horizon of the highly dense international "regionalistic" orientation. In this sense, the success of European regional economic integration should be highly evaluated as valuable evidence of a revolutionary change in economic nationalism.

Nevertheless, considering the other side of the coin, one must not forget that the mutual adjustment of the national interests of welfare state systems, while running into many difficulties, became possible in "approximation," "coordination," "collaboration," and "harmonization" [11, p. 65], because the national economies of the member countries had all arrived at the same stage of development in industrialization and the people of each of these countries was guaranteed approximately the same standard of living as that of the others.¹¹ But that is not all. One cannot overlook the fact that geographically, historically, politically, and

¹⁰ André Marchal interprets European economic integration as being a product of "l'élargissement progressif du cercle de la collaboration humaine en matière économique" in the form of "développement par cercles concentriques qui se superposent les uns aux autres." In this sense he suggests that "l'élargissement du groupe et la collaboration territoriale" should be thought of as "le recul—et non la dévaborisation—des frontières nationales" [21, pp. 100, 105, 126]. The small work by Marchal is also available [22].

¹¹ André Marchal stresses this point [21, pp. 12, 16, 17].

culturally, there also exist feelings of solidarity and a common interest in which the interests of the regional community are also felt to be the interests of one's particular country. Viewed in this way, one must admit that transnationalism as exemplified by the European economic integration is truly a unique case. Nevertheless, this experimental example can at least encourage the peoples of the world and help them become aware of the significance of stepping out on the road to what Myrdal has called "a new wider created harmony" [26, p. 121] while at the same time adjusting consciously and deliberately the national orientation toward an international orientation. This same example can also serve as evidence that the concept of transnationalism is not necessarily an empty theory.

But that is still not all. It cannot be denied that, in general, among the major advanced industrial countries (the OECD countries including the countries of the EEC), and in the name of what is commonly called international economic cooperation, collaboration on a transnational level is showing an universal tendency. The growth of the world economy due to incessant technological innovation and the increase of economic interdependence demand international cooperation and have made inevitable the transnational character change in economic nationalism.

Now, shifting our point of view from the horizontal to the vertical, let us ask this question: In what sense can the economic nationalism of the developed countries, which differ markedly in both system and stage from the underdeveloped countries, engage in transnational international cooperation to the benefit of the economic nationalism of the underdeveloped countries?

First of all, it must be pointed out that a deeper, more thorough understanding of the essential character of the economic nationalism of the ex-colonial underdeveloped countries is the point of departure for all cooperation. The greatest concern of the economic nationalism of the ex-colonial underdeveloped countries is, as noted above, "system-transformation" from the dualistic or pluralistic colonial economic system, which is the root of internal economic disequalizing factors, to a more or less integrated national economic system. Furthermore, efforts toward such a "system-transformation" are deeply rooted in the prevalent demands for "de-colonization" and "indigenism."¹²

¹² The following work edited by Prof. Golay is noteworthy in that it presents with regard to this point the same awareness of the problem and the same fundamental view as ours [10, pp. 1-19, 439-69].

This work is a most valuable contribution as a theoretical and empirical study with comprehensive and penetrating insights which deals with economic nationalism in the ex-colonial underdeveloped countries of Southeast Asia.

Prof. Golay clearly states that the immediate and essential goal of economic nationalism of Southeast Asia is "making the colonial economy over into a national economy" (p. 8) or, what is the same thing, "converting their colonial-type economies to national economies" (p. 12).

If my understanding and interpretation are correct, the conceptual framework of economic nationalism he set up can be concisely summarized as being composed of three basic elements: (1) external "insulation" for autonomy, (2) internal "mobilization" for development, and (3) national "integration" for "indigenism." He considers that a prominent feature of economic nationalism in Southeast Asia can be seen in this "indigenism,"

A correct understanding of this goal would indicate that the cooperation of the developed countries from a transnational viewpoint will, at the moment, have to consist of answering the ex-colonial underdeveloped countries' demands for de-colonization by speedily and systematically handing over or liquidating the ownership and management of the remaining vested interests and by spontaneously removing the barriers lying in the path of the "system-transformation" of the ex-colonial underdeveloped countries and thereby making this "system-transformation" easier and smoother. If this is not done—if instead the rigidities of the old colonial foreign elements are stubbornly clung to—such radical steps as confiscation in the name of socialist "system-revolution" will be invited, and from a long-term perspective this would hardly seem to be to the advantage of either party. The fact that the economic nationalism of the ex-colonial underdeveloped countries quite often becomes emotional is not entirely unrelated to the fact that the attitudes of the developed countries are often shortsighted and rigid.

Secondly, there is the problem of the form of the economic aid or cooperation that the developed countries engage in for the benefit of the economic development of the ex-colonial underdeveloped countries. It has already been frequently emphasized that the posture when engaging in such aid or cooperation should consistently be one of a spirit of partnership. What this means is that the independent and autonomous position of the underdeveloped countries involved should be understood and respected. Since, as has already been stated, the fundamental goal of the economic nationalism of the ex-colonial underdeveloped countries is national economic development along the lines of national economic integration, development assistance and cooperation must be such as to contribute to and promote the attainment of this goal. It goes without saying that the assistance or cooperation provided by the developed countries, whether on the government level or the private level, is certainly of very great benefit to the underdeveloped countries as indispensable additional resources to be allocated to development. Nevertheless, it often happens that this deserved benefit is not looked upon by the recipient country as such at all but rather tends to become a factor giving rise to hostility and antipathy against the donor country. This is not due simply to a conflict of interest on the level of purely economic calculation concerning the share of rewards resulting from such a flow of funds.

If this were all, however, the problem of accommodation would not be so difficult. The essential problem is rather that there exists the danger of neo-colonial external ties and controls which might act as a barrier to the present or future realization of "national economic integration." This is not simply an economic problem; it is a politico-economic problem. Particularly in the case

or "the structure of policies and institutions created to transform the racial dimensions of the colonial-type economies inherited by Southeast Asian Societies" (p. 9).

Heilperin's *Le nationalisme économique*, which explains the history of the concept of economic nationalism in terms of doctrines extending from those of the mercantilists to those of "planning collectiviste" of the postwar period, is useful for reference, but its contention that the essential character of economic nationalism lies in pursuit of "autonomie dans sa vie économique" is rather one-sided [12, p. 246].

of underdeveloped countries which were once colonies, the fact that odious memories of past colonial days have not yet faded away accounts for the economic nationalism in these countries being marked by extreme suspicion and cautiousness, although at the same time there is full awareness of the benefits derived from the aid. And it is only natural, considering the essential character of economic nationalism, that these feelings will tend to result in uncompromising demands for "autonomous controls and regulations" in external economic relations. Of direct private investment, that by world enterprises known as "multinational corporations" presents a particularly serious problem of conflict resolution in the scheme "Benefits → Conflicts ← Controls."¹³ It must be emphasized that what is particularly demanded is a greater and more forceful transnational change in the economic nationalism of the developed countries in donor-recipient and parent-host relations, including all of the aspects that have just been considered.

Third, there is the problem of economic nationalism in the area of trade and markets apart from the above-mentioned areas of development and investment. It is entirely natural that economic nationalism of the underdeveloped countries should adopt for the formation and development of a "diversified and balanced" national economy a policy of "forward-looking protectionism" that aims at protecting and nurturing infant industries oriented toward industrialization. Furthermore, for the sake of speeding the growth of infant industries based on the List doctrine, there is a crying need for international cooperation such as granting of preferential tariffs by the developed countries which will make possible easy access for the manufactured and semi-manufactured products of these industries to the markets of the developed countries. Also, assuming that from the viewpoint of "backward-looking protectionism" the economic nationalism of the welfare state has set up tariff and other artificial barriers to block the expansion of trade with the underdeveloped countries in an effort to maintain declining industries, the focal point of economic cooperation that the developed countries will have to undertake is going to have to be efforts to remove such barriers with all possible haste by carrying out speedy and deliberate "structural adjustments of industries."

The transnational sense of duty of the economic nationalism of the developed countries as an answer to the demands of the economic nationalism of the underdeveloped countries in the area of trade and markets, including the points of issue concerning primary exports, can be firmly established only by consistently and fully recognizing the following basic necessity. The necessity of recognizing that in some situations what should be called a "principle of double standard morality" [28, p. 96] should more appropriately be applied in relations between the rich countries and the poor countries than the "principle of reciprocity," for, as Myrdal well stated, if no interference is made from the outside as to the free

¹³ Prof. John Fayerweather between the multinational corporation and nationalism as being the most important problem in international business management. He has a framework of analysis for considering the road to harmony between the "business efficiency" and the "social utility" of the multinational corporation in relation to nationalism [4, pp. 97, 96-132, and 5].

play of the market forces that work cumulatively in the direction of international economic disequalization, rich countries become relatively richer and poor countries become relatively poor. This recognition requires nothing less than a change to transnationalism.

IX. TRANSNATIONAL ORIENTATION IN THE ECONOMIC NATIONALISM OF UNDERDEVELOPED COUNTRIES

Looking at the other side of the coin, in what sense and direction can the economic nationalism of the ex-colonial underdeveloped countries adapt to the transnationalism of the developed countries by becoming transnational itself in the meeting of the two? I should like to call the nationalism of the underdeveloped countries which is neither emotional nor reactive but rather is transnational in character "enlightened nationalism."

First of all, enlightened nationalism must recognize the fact that economic development by its very nature cannot be achieved all at once but rather is a time-consuming process involving effort in "facing some of the painful choice which are involved" [23, p. 167]. The problem of economic planning and economic policy has been and always will be a problem of the allocation of resources and very much a problem of the allocation of time.¹⁴ I do not mean by this, however, that planning and policy must be resigned to gradualism. What I mean is that planning must recognize the necessity for development in stages and must also take into consideration the time required for transitional shifts. In this sense, there must be decisions as to the direction, speed, degree, and pattern of development. Since, considering the handicaps in respect to initial conditions, a widening gap in per capita income between the developed and the underdeveloped countries is only natural [23, p. 18], the primary goal of the underdeveloped countries should be attaining self-sustaining growth, growth that is not overly concerned with speed but which progresses steadily in the sense of neither receding nor retrogressing at levels reasonable for the economy of the country in question [30, pp. 125-27].

Secondly, it should be noted that since the principal goal of the economic nationalism of the ex-colonial underdeveloped countries is a "system-transformation" from a colonial economy to a national economy, self-sustaining growth divorced from this "system" viewpoint has no meaning in itself. However, at the same time one should not underestimate the problem of the allocation of time and transformation by stages. The tendency to attempt to realize national economic integration on the basis of the principle of "indigenism" by remedying economic duality and social pluralism is the dominant phenomenon in the economic nationalism of Southeast Asia today. But the actual outcome, with a few exceptions, is hardly any success to speak of [10, p. 461]. Over-protection of

¹⁴ The first person to assert strongly that the essential principle of economy is the principle of "allocation" and that the problem of planning and policy is not simply one of the allocation of resource but rather is also very much a problem of "time allocation" was Prof. Nobuyuki Ōkuma [29].

indigenous private entrepreneurs and the inefficiency of bureaucrat industrialists who replace them have resulted in wastage in the allocation of resource.¹⁵ The balance between growth of the pie and distribution of the pie among the races should be considered as a problem of transformation by stages, which includes choice of policy measures.

Thirdly, it must be said that a self-sustaining economy is not attained solely by dependence on foreign assistance and cooperation in the area of development. Aid can only help those that have the will to "move forward" [30, pp. 7, 127] on their own. The spirit of self-help is a prerequisite. The perpetuation of economic protectionism and preferential systems in the area of trade would be unwarranted abuse of the principle of a "double standard of morality." Economic nationalism has meaning only when it is an invaluable source from which development potential can be educed spontaneously and when it is able mobilize the social forces within the country. Economic nationalism not supported by self-help efforts for self-help has no basis for justifying its existence in international society. Nor can it make legitimate demands as a partner in relations of aid and cooperation. A nationalism that truly perceives the points noted above can claim to be what we have called "enlightened nationalism." The working of enlightened nationalism may be weaker than that of the transnationalism of the developed countries, but it must be understood as being a transnational manifestation of the economic nationalism of the ex-colonial underdeveloped countries.

X. CONCLUSION

Looking out over a new horizon, we have searched for a world of creative harmony that aspires to the solution of the North-South Problem through a "transnational" change in the economic nationalism of both the developed and the underdeveloped countries.

Prof. K. E. Boulding [2, pp. 41-62] has said that, to mankind in the space age, "the whole web of economic relations extending over the globe," which can be compared to a spaceship, should be thought of as forming one "econosphere," just as there is an atmosphere, a lithosphere, a biosphere, and so on, and that there actually exist at the present time world economic interests that transcend the interests of the individual national economies. He has thus advocated a new concept of "grants economy" to replace the "exchange economy," which produces inequality. Then again, Prof. B. F. Hoselitz [14, pp. 63-96] has suggested, from the standpoint of exploring the feasibility of "the economics of mankind as a whole," a possible pattern whereby economic integration of mankind will be attained as a result of greater advancement and unification of the economy of

¹⁵ In relation to this point, see Prof. H. Myint's following instructive chapter, which presents a penetrating analysis of the concept of economic dualism and a critical analysis of the implications of the internal and external integration of dualism: H. Myint; "Dualism and the Internal Integration of the Underdeveloped Economies" [24].

mankind; this unity, in turn, will make possible a more intimate degree of economic interrelations.

The fact remains, however, that although these views are rich in conception, they will not be valid without the value premises of the idea and ideal of supranationalism or globalism. Therefore, as has already been stated, they have nothing in common with our position of transnationalism. As long as we do not stray from boldly facing the reality of the North-South Problem, our approach runs no risk of making a leap as far afield as that.

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