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THE

ECONOMIC DEVELOPMENT
OF BURMA

by

Everett E. Hagen

AN INTERNATIONAL COMMITTEE REPORT

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BACKGROUND

This report is the third in a series of studies of the economic development problems and prospects of individual noncommunist countries considered within the broader context of their political, social, and cultural institutions.¹ The NPA International Committee is sponsoring these reports to help improve American understanding of the complexities of the development process and to make better known the various techniques which have been devised and tested for stimulating a country's economic growth. The effectiveness of American cooperation with the peoples of Latin America, southern Asia, and Africa depends directly upon the quality of our and their understanding of the problems they face in seeking to improve their conditions of life in ways consistent with the achievement and preservation of freedom and democracy everywhere in the world. Inadequate understanding of problems and possibilities is one of the most important human obstacles to economic and political progress. It is our hope that through fostering better knowledge these NPA reports can make a significant contribution to greater cooperation between the American people and our friends in Latin America, southern Asia, and Africa to the mutual advantage of all free nations.

As is customary in the NPA, the International Committee has expressed its own views on the subject under study in a signed statement which precedes the report.

John Miller

JOHN MILLER, *Assistant Chairman*
NPA Board of Trustees

July 1956

¹ The first was *Communism Versus Progress in Guatemala* (Planning Pamphlet No. 85, December, 1953) and the second was *Reconstruction and Development in South Korea* (Planning Pamphlet No. 94, December, 1955).

Statement by the NPA Committee on International Policy

Since World War II, the United States government and the American people generally have become not only increasingly interested* but also actively involved in the economic development of the nonindustrialized countries of Asia, Latin America, and Africa. Many of our early efforts to help the underdeveloped countries were characterized by an easy optimism concerning the nature and pace of economic change. Our own economic transformation over the past 100 years had been unprecedentedly rapid and, in the 20th century at least, had been largely a self-generating and self-accelerating process. Against this background, it was natural for many to assume that the economic development of other countries could be accomplished with equal celerity and ease, particularly if it were actively and consciously fostered by appropriate governmental policies in these countries and by foreign aid of various types.

The experience of the past decade has brought new understanding of the complexities of economic development. We now realize that it is not simply a problem of investing enough capital and that its pace does not simply depend upon the magnitude of annual capital formation. Instead, we are beginning to see the intricate and inseparable relationships between purely economic processes and the social, political, and moral environment in which economic institutions operate. We have found that economic development is really a part of the larger process of social transformation, and that between the two there is a mutual dependence and interaction.

These relationships are revealed with unusual clarity in the case of a country like Burma. The economic development that Burma experienced under British rule was substantial in terms of the value of the products whose production and export were undertaken during the past

50 or 60 years. But it was quite superficial in terms of the impact which this development had upon traditional Burmese ways of living, working and consuming. When independence was achieved early in 1948, Burma was still largely a preindustrial country. Its political and social institutions, its domestic economic organization, its basic attitudes and values were still those of an Oriental agrarian society with a very rich cultural and religious tradition of its own. Many of these institutions, values, and traditions were not conducive to rapid or substantial economic growth, much less to economic change. The basic problem in Burma is how a society fundamentally still oriented toward production for use rather than for sale, toward realization of noneconomic values rather than toward the satisfactions derived from individual entrepreneurship, high productivity and rising material consumption, and which now voluntarily desires to embark upon rapid economic development, can nevertheless achieve a minimum degree of the political, social, and moral concomitants of a major economic transformation.

Though the United States does not have a major direct economic interest in Burma, the future of that country is of great significance to Americans politically, morally, and in an indirect economic sense. The strengthening of democracy anywhere is of direct benefit to the United States as well as to other countries. Conversely, Burma's conquest or subversion by communist imperialism would make it extremely difficult, if not impossible, for the other free countries of southern Asia to resist the communist advance. Economically, Burma is important not only to industrialized countries like Japan but also to other southern Asian countries as a source of foodstuffs and raw materials. Thus, Burmese progress can make a significant contribution to economic advancement and democratic development throughout noncommunist Asia.

For all of these reasons, the NPA International Committee concluded that it would be useful to have a study made of the problems and prospects of economic develop-

ment in Burma. Pursuant to this decision, Dr. Everett E. Hagen, Visiting Professor of Economics at Massachusetts Institute of Technology and a member of its Center for International Studies, has prepared the accompanying report. Dr. Hagen is an authority on the economics of development, and he has acquired extensive personal experience of Burma's problems and prospects while serving for two years as Director of the Economic Staff of the KTA Engineering and Economic Consulting Mission in Burma. Without endorsing the detailed analyses and conclusions of the report, which are the author's responsibility, the NPA Committee on International Policy finds itself in general agreement with the main outlines of the report and accordingly has authorized its publication.

The NPA Committee on International Policy wishes, in particular, to underscore the recommendations made by Dr. Hagen for a resumption of American economic aid and technical assistance to Burma. We very much hope that the Burmese and American governments will soon make a new effort to arrive at a mutually satisfactory basis for an early resumption of direct American economic aid and technical assistance. In addition, we believe that it would be helpful for the United States government to explore more fully ways of helping Burma indirectly through appropriate international organizations.

Members of the NPA Committee on International Policy Signing the Statement

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Editor's Note:

After the completion of this report and prior to its publication, Prime Minister U Nu of Burma resigned. His successor, U Ba Swe, who was closely associated with him in the prewar independence movement, took office on June 12, 1956. The reports available indicate that U Nu's influence will still be strong, and that his successor will not change the direction of U Nu's policies.

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THE ECONOMIC DEVELOPMENT OF BURMA

by

Everett E. Hagen

I.

The Significance of Burma to the United States and the West

A generation ago, many Americans, if they had heard of Burma, did not know whether it was a place in Mandalay, or Mandalay a place in Burma. It is evidence both of growing American understanding of world affairs and of the growing importance of Burma that millions of Americans today are concerned with the course of events in this small new Southeast Asian republic.

Burma, which became a colony in the 19th century, regained her independence on January 4, 1948. Since then, she has overcome a series of insurrections and established a stable and popular government—fully democratic, moderately nationalistic, and quasi-socialistic.

She is striving to carry out an ambitious program of economic development. As a first step, she would restore and slightly surpass the prewar level of living by 1960. Even this, it is estimated, will require investment of \$1.5 billion (from 1952 to 1960), a small sum for the United States economy, but one and one-half times the present annual output of Burma. The problem she faces, however, is not merely mobilizing the necessary capital; to develop

the institutions, technical capabilities, and attitudes necessary for economic development will probably prove far more difficult.

Many Americans desire to help Burma, if they can, simply because they are steeped in the American tradition of wishing to advance the welfare of every people. But in determining United States national policy, the question also arises: What is the basic self-interest of the United States with respect to this country of Southeast Asia?

The Union of Burma lies cupped between India, China, and Thailand. East Pakistan also touches her on the west, and on the east, between China and Thailand, her border runs along that of Laos for perhaps 100 miles. Her population is about 19 million. Her national income is one-fourth of one percent of that in the United States.

She is not without economic significance to the United States and the West. Though she supplies Asia with an important fraction of its rice, she is relatively unimportant to the West as a source of either food or industrial raw materials. Her economic importance rests not on these, but on her modest potential contribution, together with the rest of free Asia, to the growth of the world economy. The growth of each country which is a part of the world nexus provides both expanding markets and expanding sources of varied supplies for each other country. Living standards in the world economy, and indeed its over-all economic strength, grow best and fastest if every country in it grows. Burma can contribute her small part to this world growth. This prospective contribution, however, is too small to be of major importance.

But she is much more important to America and the West politically—in the broadest and best sense of the term “politically”—than economically. Her political importance lies in part—but only in part—in her vigorous democratic and anticommunist spirit.

The importance of the preservation of representative and noncommunist governments in Southeast Asia has been

stated often; it may be summarized briefly. First, it makes possible continued interplay between Asian and Western minds, which benefits both. Moreover, further Communist advance—into Southeast Asia or elsewhere—would increase the military threat to democratic nations in the Pacific, hence to the United States and the West as a whole. By creating a “wave of the future” psychology, it could weaken the wills of the smaller democratic nations everywhere. Finally, and possibly the most important, the wider the area in the world in which freedom of individual conscience and action prevails, the freer can be the institutions of Western societies. The farther the Sino-Soviet alliance advances, the greater the pressures on free nations. And each control that the United States must establish against Communist espionage or infiltration carries the danger of reducing also the freedom of internal communication which has been a mainspring of our material and intellectual advance. Individual liberty in any one country, even a powerful one, flourishes best in a free world.

Since ideological alliance with China and the Soviet Union of any one country in Southeast Asia would render difficult the position of all, the strength of support in each for representative nontotalitarian government is important. The people of Burma give sturdy support to a popularly elected government which prizes individual liberties and hence is vigorously and successfully anticommunist in its internal policies, and which can be expected to remain so.

The unique significance of Burma's experience lies, however, not in her political strength, but in the example to other nations provided by the political and economic experiment by which she gained that strength. Burma became an independent nation in January 1948. Before the end of the year, she faced difficulties which caused many judicious observers to predict the collapse of orderly government and of her economy. Instead, the young government has vigorously and effectively carried out measures which have insured political stability and gained the solid support of a

large majority of the people for a government which stresses respect for the individual and opposes Communism.

The remaining area of some uncertainty is the success of Burma's program for economic development. If Burma should not progress economically, the loyalties of her people would probably be gradually alienated. But if her program for economic development succeeds as well as other phases of her policies, the methods by which she has succeeded in all phases will provide a vivid example to other governments. There are governments in Southeast Asia, and elsewhere, which profess friendship to the West, but which hold little attraction for their citizens. They might only too easily be undermined. Burma is demonstrating how a government may cause its citizens to cherish individual liberty—how democracy can win the battle for a people's allegiance in an "underdeveloped" area. The value of such a demonstration is incalculable. This is the real significance of Burma to peoples prizing individual freedom, and the reason why the West has a basic interest in the success or failure of Burma's experiment.

This study sketches the story of Burma's development, the methods she has used in her postwar successes to date, the problems which still face her, and the kind of aid in her development which will be in her interest and which it will be to the interest of the United States to advance.

II.

The Kingdom of Burma

The social values and institutions that Burmans¹ had developed before the British occupation of Burma persist in modified form today. This is true of economic institutions, religion, egalitarianism, and certain legal and governmental institutions. They have greatly influenced national policies adopted by Burma since she regained independence in 1948, and they will affect Burma's future development. Hence they merit description in even a brief discussion of present Burma.

The land borders of Burma are ringed around with rugged mountain ranges, extensions of the Himalayas, which have been almost insuperable barriers to land travel. Her kings, like the Chinese emperors, desired no contact with the outer world. For convenience of internal control they located their capitals in central Burma rather than on the coast. Moreover, no main channel of ocean travel touches her coast. For these reasons, after the early waves of migration Burma had little contact with her five neighbor countries, and in relative isolation developed a unique civilization.

Her population is composed of a number of distinct ethnic groups, with historic rivalries. Burmese number perhaps 12 million, or almost two-thirds of the present population of some 19 million. Karens, Shans, Arakanese, and Mons (in that order of numbers) together with various hill tribes come to about half as many; and Indians,

¹ The usage of the terms *Burmese* and *Burman* varies with different writers. In this study, the term *Burmese* is used loosely to refer to anything relating to Burma, but when the peoples of Burma are discussed, *Burmese* is used to refer to the ethnic group which constitutes about two-thirds of the population of Burma, and *Burman* to all of the indigenous peoples of Burma, or sometimes to all nationals of Burma.

Chinese, and Pakistanis together number slightly over a million, or some six or seven percent.

Every main indigenous racial group except the Karens—and some Karens—adopted the Southern or Theravada form of Buddhism, and the written alphabet which accompanied it. At the beginning of historic times in Burma there existed a rather homogeneous culture. When the British occupied Burma in three bites between 1824 and 1885, a prosperous viable socio-economic system, with which all of the peoples of Burma except miner hill tribes identified themselves, had existed for many centuries.

The Economic Base

Its economic base was agriculture. Agricultural methods were crude. Elaborate irrigation systems, however, had been in operation for centuries in the dry zone of Central Burma. There were no densely settled population centers; virtually the entire population lived in rural villages. Trade was predominantly local.

There was no social or religious incentive to large families. Even today, after a rapid increase in population as the British developed the Delta into the "rice bowl of Asia," population density is only one-third greater than that in the United States, and less than one-fourth that in neighboring India. Since the land was rich, this relatively sparse population maintained a level of living well above that of India or China.

Where warfare and population movement had not made village life fluid, land ownership was general and absolutely secure. Every family in a settled village held land, and the idea of selling land was unknown. Land could be "mortgaged," even to nonresidents of the village, as security for a loan, and under the usufructuary mortgage of Upper Burma the lender obtained the use of the land; but the land could be reclaimed at any future time on repayment of