

BEYOND THE SOCIOLOGY OF DEVELOPMENT

Economy and Society in
Latin America and Africa

Edited by
Ivar Oxaal, Tony Barnett and David Booth

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Beyond the sociology of development

Economy and society in Latin America and Africa

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Abbreviations

The following abbreviations occur in the text:

APRA	Alianza Popular Revolucionaria Americana (Peru)
ECLA	United Nations Economic Commission for Latin America
ISER	Institute of Social and Economic Research (Jamaica)
KANU	Kenya African National Union
OLAS	Latin American Solidarity Organization
PNC	People's National Congress (Guyana)
PNM	People's National Movement (Trinidad-Tobago)
PPP	People's Progressive Party (Guyana)
RDC	Rice Development Company (Guyana)
RMB	Rice Marketing Board (Guyana)
RPA	Rice Producers' Association (Guyana)
TANU	Tanganyika African National Union
USAID	United States Agency for International Development
VDC	Village Development Committee (Tanzania)
WFP	Workers' and Farmers' Party (Trinidad-Tobago)

1 Editors' introduction: beyond the sociology of development

The implication of our rather provocative title for this collection of new research papers can be simply stated: we believe that as a consequence of their extreme economic naïveté and implicit metropolitan bias many of the studies and theories presented under the rubric of 'the sociology of development' in the 1950s and 1960s were misconceived, intellectually abortive, and in some instances downright pernicious in their influence. We do not feel obliged to document this unavoidably harsh judgment here; it has been sufficiently demonstrated, in our view, by a number of vigorous critiques, the most important of which was supplied by Andre Gunder Frank in his *Sociology of Development and Underdevelopment of Sociology*.¹ In no other field of sociological investigation have the disastrous consequences of the economic illiteracy of professional sociologists been so starkly revealed as in the 'sociology of development'. In retrospect we can understand how this trained professional incapacity made sociologists into so many sitting ducks for the Cold War evolutionary paradigm of economic development epitomized by W. W. Rostow's classic *The Stages of Economic Growth*.² Those who suffered less from intellectual parochialism where economics was concerned made up for this, moreover, with a hearty disdain for history. Rostow's master metaphor which saw underdeveloped economies as so many aeroplanes waiting to 'take off' was seductive not least because it seemed to provide an alibi for the disconnected ahistoricism which typified studies of the social 'factor' in economic growth.

It is thus the contention of the editors—one with which we believe all of the contributors to this volume would agree—that the shallow and ultimately nonsensical character of much traditional 'sociology of development' resulted from the separation within academic disciplines of the 'social' and 'psychological' from the concrete historical and 'economic' aspects of change. Rather than issue yet

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another plea for 'interdisciplinary' and ideologically demystified research, however, the intention of this volume is to provide the reader with actual examples of field studies and theoretical reviews which indicate the directions which we feel a conceptually more adequate study of developing societies should take. The writings of Andre Gunder Frank have proved crucial to us for two major reasons: first, it was principally Frank who provided the definitive dissection of mainstream studies in the sociology of development. His critique was devastating not only because he wrote as a Marxist—but equally as much because he wrote as a trained economist who could pick apart the flimsy assumptions of the economically naïve writers he attacked. Secondly, Frank was not only—or even primarily—a critic of academic sociology; he also provided the outlines of a macro-structural paradigm of the way in which economic underdevelopment in dependent economies is actively maintained in a vicious spiral by the very forces—foreign economic investment and aid—which conventional economic theory held to be necessary for the development of such societies. It is this combination of critique of sociology with an alternative and suggestive theoretical orientation which accounts for the centrality of Frank's contribution for the various studies in this volume.³ As will be seen, however, we have not adopted a reverential posture toward Frank's work—quite the opposite; the dominant spirit in these papers has been to try to test Frank's ideas scientifically by applying them to new empirical situations, and to pursue alternative or complementary lines of theoretical enquiry where these appear fruitful or challenging.

Three of the papers in this collection—Barnett's on the Sudan, Long's on rural Peru, and Wolpe's on South Africa—make links between the Frankian model and the approaches developed by a number of French-speaking economic anthropologists. Their incorporation of certain features from this tradition of economic anthropology—which Clammer reviews and criticizes in Chapter 10—reflects a concern with two areas insufficiently analysed in Frank's work. One is the problem of the structure and range of variation of the relationships ruling between metropolitan centres and satellites; the other is what Frank calls the problem of 'continuity in change'. The Frankian model of a 'whole chain of metropolises and satellites' is considered to be inadequate by Long and Barnett. This is particularly significant in as much as both are attempting to analyse field-work data in terms of the model. It is apparent that both consider that the model as presented provides no clue to the interpretation of micro-level ethnographic data.

Long's paper grows out of a regional study in Peru, and Barnett's from the analysis of a very large-scale irrigation development in the Sudan. The task which they both faced was that of locating the local

level social relations observed in the course of field-work within the regional, and, ultimately, national and international contexts. Here they encountered questions similar to those faced by Hanley in his work in Guyana. If the structure of local social and economic relations is in some way conditioned by the satellite status of the society, as the model predicts, how does this dependence manifest itself in empirical field data? For Long, the work of Meillassoux, Dupré and Rey, and Coquery-Vidrovitch on the articulation of different modes of social production provides the vital link between the local, regional, and national levels. The concepts of 'mode of production' and of 'articulation'—concepts whose intricacies are explored by Clammer—are of central importance to this current. The notion of mode of production refers for them to the combination of material, human and cultural elements, in a systematic relation, through which the exploitation of the environment is possible for a group of human actors. The idea of articulation focuses attention on the social and economic relationships by means of which modes of production with different organizing principles—capitalism, feudalism, patrimonialism, and others which may not so far have been described—are empirically linked one with another. With the aid of these concepts, it becomes possible to describe the benefits which certain actors, or groups, operating in the context of different modes of production obtain from their activities as brokers (in Long's terminology) within and between modes.

For Barnett, the problem is the related one of explaining the continuity of a structure of dependence and underdevelopment. He sees Frank's use of the term 'continuity' as essentially an obfuscation which loses sight of the need to explain continuity in terms of social and economic *processes*. In the field-work situation it was this processual aspect of socio-economic structures which became crucial. Barnett feels that the Frank model does not really help here, whereas the work of the economic anthropologists does, by redefining the question in terms of the concept of reproduction. A mode of production requires for its continuity the provision of the means of subsistence for the human actors within its boundaries. This ensures the supply of personnel and material for the continuation of the social unit through time. Thus the contradictions between actors and groups of actors within one mode of production, and *between* different modes, may be explained through an examination of the common and conflicting interests which they have in common in the production of basic subsistence needs within the context of the wider system of relations (the total social formation). For, as Long says in his paper, 'the reproduction of the social relations of production for one mode is dependent on the continuity of other social relations of production found in other modes'.

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Consideration of the question of the reproduction of the social relations of production is what directs Wolpe to this literature. For him the singular nature of South African society and politics can only be explained by recourse to an analysis of the articulation of capitalism with non-capitalist modes of production. South African capitalism may be said to be dependent on the reproduction of its relations with other modes of production. By using these terms, Wolpe is able to go beyond the unsatisfactory model of South Africa, derived from the notion of internal colonialism, to a discussion which directs our attention to very specific features of the social and economic structure. Thus he says: 'in order to avoid the abstraction involved in treating racial or ethnic groups as undifferentiated and homogeneous, we must think of each such group as having . . . a specific structure'.

It is clear, then, that for Barnett, Long, and Wolpe the marriage of economic anthropology to the Frank model supplies a theoretical vocabulary which effectively elucidates research problems, and makes possible an understanding of social processes common to three very different underdeveloped societies.

The absence of this theoretical marriage in Hanley's analysis serves as a partial demonstration of some of the inadequacies of the crude Frank model when applied to research data. Nevertheless, Hanley's study provides a wealth of specificity regarding a particular mode of agricultural development in which an embattled Marxist colonial politician attempted to partially outflank the iron grip of metropolitan domination. Moving from the Americas back to Africa, the Feldman paper documents in appropriate detail the gradual, but apparently relentless, emergence of rural capitalism in Tanzania and the conflict between this and the socialist goals of the central government. Hutton and Cohen focus on a continuing orthodoxy in the sociology of development, though they deal with an area largely missed by previous critiques. Despite the time-honoured sociological practice of blaming poverty on its principal victims, they argue, the meaning of peasant resistance to change is far from self-evident. Indeed, in the absence of an exhaustive analysis of the total context—history and contemporary economic structure—to characterize such resistance as 'irrational' is to beg some very big questions indeed. This paper—which was first given at a conference in Addis Ababa—is in fact a critical manifesto directed at the superficial ahistoricism of some contemporary studies of development in Africa.

The major thrust of this book is to suggest that a point has now been reached where theoretical convergences from within economic anthropology, sociology, and economics are making possible an integration of work on development at an advanced level of multi-

disciplinary sophistication. We are mindful that many readers of the book—especially sociologists and anthropologists—may be alarmed by this prospect in view of the reputed technicalities of economics. We feel none the less that with a little persistence such readers will be adequately rewarded by our first four papers. Two of the contributors to this section of the book—Weeks and O'Brien—are professional economists. Weeks has provided what is probably the most technical—yet, we would urge, lucid and indispensable—example of how a radical economist approaches the problem of underdevelopment. For the non-economist we particularly recommend this paper as an entrée to the level of economic analysis which we think indispensable to serious future students of the sociology of development. O'Brien's paper on the other hand provides a clear, concise, and perceptive introduction to the recent Latin American literature on economic 'dependence', much of which remains otherwise inaccessible to English readers.

Enough has been said to account for the inclusion in this collection of a paper devoted especially to the work of Andre Gunder Frank. Booth's essay takes the form of a retrospective introduction to Frank's work which highlights the contribution to the Frankian 'synthesis' of some of the Latin American intellectual and political currents also discussed by O'Brien. The lacunae in Frank's theory, it is suggested, have to be understood in the context of the specific polemical function which the theory performed in the Latin America of the 1960s.

Since it is really the socio-cultural praxis of economics which forms one of the central problematics of this book, the chapter by Oxaal, a 'layman's introduction' to the language and contexts of the debate over dependency theory and practice in a former British colony, provides an appropriate sequel to O'Brien's. Trinidad does not loom large on the world stage, yet with its growing susceptibility to Latin American influences combined with the juxtaposition of its Afro-West Indian population alongside its Indian, Chinese, and other minorities—'the Third World's Third World' as the novelist Vidia Naipaul has dubbed it—it makes a not inappropriate setting for a close-up look at the universe of discourse concerning economic dependency and its relationship to social change.

But we need not dwell at length on the manifold dimensions of social science thought revealed by the writers of these pages; these largely speak for themselves. This is a work of partial—not final—synthesis. In any event, partial synthesis is all that is practical: the writers represented here form no 'school' but reflect, rather, the crystallizing theoretical understandings of some, mainly young, sociologists, anthropologists and economists working out of Britain in the mid-1970s. We have no combined research programme,

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or prospects of founding some grandiose global research scheme. Nor do we expect or wish events in the less developed countries of the world to wait upon the creation of a finished Grand Theory of Development. As a modest, but we hope suggestive, introduction to the world of enquiry which lies beyond the 'sociology of development', we commend this book to the reader.

Notes

- 1 Pluto Press, London, 1971; first published in *Catalyst* (Buffalo, New York) in 1967. Other wide-ranging critical essays include especially Jamil Hilal, 'Sociology and underdevelopment', Sociology Department, Durham University, mimeo, February 1970, and Henry Bernstein, 'Modernization theory and the sociological study of development', *Journal of Development Studies*, vol. 7, no. 2, 1971.
- 2 Cambridge University Press, 1960.
- 3 Cf. in this respect the papers presented to the 1972 conference of the British Sociological Association: Emanuel de Kadt and Gavin Williams, eds, *Sociology and Development*, Tavistock Publications, London, 1974.

2 A critique of Latin American theories of dependency

Philip J. O'Brien

Dependency is very much in vogue in Latin America. Much writing on cultural, political, social, and economic matters adopts as a framework for analysis the concept of dependency. Faced with such an overwhelming mass of writing, it is pertinent to raise a number of questions—what is the background of the dependency school, and why did it emerge when it did? What sort of theory is it? How successful is it in establishing a framework for analysing the dynamics of Latin American society? What are the mechanisms involved? Does available empirical evidence seem to support the theory? What policy implications (if any) can be drawn from the theory? And how new, useful, and important really is the concept of dependency?

A. O. Hirschman, in a perceptive essay, 'Ideologies of economic development in Latin America', has traced the main views advanced by Latin Americans to explain the causes of Latin America's underdevelopment and what could be done about it.¹ The theory of dependency is a response to the failure of these explanations and those offered by the advanced countries to give either a convincing explanation of the backwardness of Latin America or a way out of that backwardness. Specifically the theory of dependency is a response to the perceived failure of the previous dominant ideology of development in Latin America, that of 'import substitution' industrialization.

A. Gerschenkron noted in his essay, 'Economic backwardness in historical perspective', that in backward countries certain institutional innovations and the acceptance of specific ideologies in favour of industrialization were necessary to break down the gap between obstacles to industrialization and the promises inherent in such a development.² Backward countries had to substitute for some of the factors which were prerequisites for industrialization elsewhere. This

substitution process and the drive for industrialization was usually accompanied by an ideology explaining the cause of, and suggesting a cure for, the relative backwardness of the country concerned. Nineteenth-century Latin America, however, evolved few ideas concerning its underdevelopment and it was not until the twentieth century that Latin American writers concentrated on attempting to explain Latin American underdevelopment.

Two themes dominated these early explanations of relative backwardness: philosophical and psychological explanations, and imperialist exploitation. The first was, and still is, very common; Latin Americans, it is argued, have certain character traits or philosophies of life which prevent the determined pursuit of rapid development. These philosophies of life or character traits, the latter often accompanied by racial interpretations, were variously identified as laziness, sadness and arrogance (e.g. C. O. Bunge, *Nuestra América*³), or anti-materialist, spiritual qualities as in José Rodó's *Ariel*,⁴ or inequality being the result of a collective sense of inferiority as in *Profile of Man and Culture in Mexico* by Samuel Ramos.⁵

The second theme, popularized by the Peruvian leader and founder of APRA (Alianza Popular Revolucionaria Americana), Haya de la Torre, puts the blame for Latin America's underdevelopment squarely on imperialist exploitation. But interestingly and importantly *the blame is not put on capitalism*. Haya de la Torre explicitly argued that the Latin American proletariat was too weak to make a revolution, and that the responsibility for developing Latin America lay with the intellectuals and the middle classes whom Haya de la Torre characterized as being more dynamic than their European counterparts: 'In our countries, the capitalist stage must therefore unfold under the leadership of the anti-imperialist State.'⁶ The anti-imperialist and anti-Marxist perspective was to have, and still does have, tremendous sway in Latin America. It was, for example, to be espoused by nearly all the post-Second World War populist leaders. But none of these ideologies—philosophical and psychological or anti-imperialist—amounted to a coherent economic programme.

Until 1929 Latin America had pursued a development strategy which has been called *desarrollo hacia afuera* (an outward-orientated development path), a reference to the fact that exports were the engine of growth of the Latin American economies. The Great Depression dramatically revealed the costs of depending on exports as the engine of growth; for when Latin America suffered a significant decline in her export earnings, the result was economic and political chaos. A new strategy and development path seemed called for; one that emphasized an inward-looking development path, *desarrollo hacia adentro*.

So after the Second World War a coherent ideology and economic programme, explaining both the causes of Latin America's problems and the way forward, and emphasizing *desarrollo hacia adentro*, was advanced. Significantly this ideology and programme came from the newly established United Nations Economic Commission for Latin America (ECLA) whose offices were opened in Santiago de Chile in 1948. It is significant because the new ideology reflected more the frustrations of technocrats and intellectuals than that of a newly emerging powerful social class. Thus unlike, for example, Adam Smith's *The Wealth of Nations* which reflected the ideology of the powerful industrial bourgeoisie of England, ECLA espoused an ideology for a class too weak to implement it—the Latin American industrial bourgeoisie aided by an educated middle class running the State machine. Moreover ECLA's voice reflected the fact that it was a UN agency. The highly-paid officials of ECLA, however radical in an international agency context, nevertheless conformed to the UN style of analysis with its bland, apolitical language of the international bureaucrat. Divorced from contact with the mass of the Latin American poor by his style of life, the international bureaucrat tends to look for compromises and for the lowest common denominator, thus not offending anyone. Not surprisingly ECLA managed to avoid the realities of the class struggle in Latin America and the role of the USA in that struggle.

ECLA's perspective was based on the belief that conventional economic theory as expounded in developed capitalist countries was inadequate for dealing with the problems of underdevelopment. The study of underdevelopment required, it was thought, a 'structuralist' perspective, an appreciation of different historical situations and national contexts. An underdeveloped country is underdeveloped precisely because it consists of different structures each with a specific type of behaviour. It was argued that conventional economic theory, with its emphasis on the theory of prices and general equilibrium, failed to recognize the existence of different structures.

The main tenets of ECLA's early position were those propounded by its first General Secretary, Dr Raúl Prebisch. He argued that Latin American underdevelopment was the result of Latin America's position in the world economy, and its adoption of liberal capitalist economic policies. Prebisch's theory was a continuation of the anti-imperialist, anti-Marxist tradition—although in a much subtler and milder form—substituting, for example, politically stronger and more precise expressions of imperialism with the misleading expression 'centre-periphery relations' (misleading in that the class content of imperialist theory is dissolved).

Prebisch argued that the Latin American engine of growth, primary product exports, was faced with a long-term secular decline in their

terms of trade, and that the centre's income elasticity of demand for these exports was declining whilst the periphery's income elasticity of demand for the imports from the centre was increasing. The result was a chronic structural balance of payments crisis. In addition there was an unequal distribution of productivity gains; in the centre productivity gains led to higher wages and other factor prices whilst in the periphery they led to a decline in commodity prices and stagnant wages.⁷

ECLA proposed that Latin America needed to industrialize behind high protective barriers. These barriers would not only assist the 'infant industries', but would also, given structural unemployment and under-utilization of capital, assist the optimal allocation of resources. It was recognized that the industrialization drive had to be assisted by the State, and in particular by State planning. Later, ECLA added the need to create a Latin American Common Market to achieve economies of scale. In these ways Latin America would achieve an inward-orientated development path. This strategy became known as import substitution industrialization because it was based on setting up industries which would satisfy demand previously met by imports. The assumption was that this would lessen the demand for imports and therefore help the balance of payments. The strategy accepted as given the existing demand pattern, i.e. the existing pattern of income distribution, and led to a proliferation of industries producing final consumer demand goods, especially consumer durables.

Varieties of dependency theory

The theory of dependency is the response to the perceived failure of national development through import substitution industrialization and to a growing disillusionment with existing development theory. Dos Santos has summarized the intentions of the post-war model of development in Latin America, as follows:

- (1) a change from development *hacia afuera* to one *hacia adentro* would lessen dependence on foreign trade and lead to a more locally controlled economy;
- (2) industrialization would lessen the power of traditional oligarchies and lead to a process of political democratization which
- (3) would lead to more equal income distribution, and integrate the rural masses into a modern society;
- (4) the above three encouraging the emergence of a modern, developmentally-minded State which would in turn further their development;
- (5) and all would cause a change of consciousness, the emergence

of a Latin American consciousness, which would help to unite society in the pursuit of national independence.⁸

By the 1960s, it had become obvious that this model was in crisis. Import substitution industrialization had not lessened dependence. Income distribution seemed to be growing more unequal, and a large segment of the population remained marginal. Cultural alienation was widespread, and Latin American societies still continued divided and unstable. National policies for industrialization had succumbed to the multi-national corporations, and industrialization in Latin America was primarily being undertaken by foreign investors. Finally, the military were entrenched in power in many Latin American countries. The theory of dependence emerged as an attempt to explain this failure.

There are, however, a number of different traditions within the theory of dependency: one clearly stems from the ECLA structuralist perspective, and should be seen as a continuation and deepening of that perspective. Another stems from a Marxist perspective, particularly that perspective which broke with the stultifying dogmatism of the Stalinist heritage. Associated with the first are the names of Osvaldo Sunkel and Celso Furtado; and with the second, the names of Ruy Mauro Marini, Theotonio Dos Santos, and A. G. Frank. There is another group of writers, mainly sociologists like Aníbal Quijano, Fernando Cardoso, Octávio Ianni, and Florestan Fernandes, who seem to straddle both the Marxian and structuralist perspectives. The differences between these groups is clearest when it comes to perspectives for political action.

To a social scientist brought up in the dominant positivist hypothetical-deductive methodology, theories of dependency may seem at best trivial or irrelevant and at worst political slogans wrapped up as a theory. Thus it is important to appreciate the methodology behind the dependency theories. This methodology seems very similar to the Marxian one (not surprisingly, for many of the dependency theorists explicitly recognize the theory of dependency as a subordinate field within a general Marxian theory of capitalism, and in particular a complementary part of the theory of imperialism) in that it is not considered possible to study the dynamics of a society merely at an empirical or impressionistic level. Instead, as a prerequisite for understanding reality, abstractions which do not exist in a pure form in the real world have to be made and the concrete approached via 'successive approximations'.⁹

The theory of dependence, therefore, is a higher level or general hypothesis the objective of which is to define the problem or area of interest and to try and show how lower level, more specific *ad hoc* hypotheses fit within this framework. The purpose of a higher level

interpretation is to guide and make more coherent at an abstract level, lower level explanations, e.g. explanations of the last Brazilian *coup*. If a sufficient number of *ad hoc* explanations cannot be accommodated within the higher level hypothesis, then the plausibility and usefulness of the framework must be rejected. The theory of dependency therefore represents a framework of reference within which various heterogeneous phenomena are analysed to see how they link and interact with each other to form a total system. The theory must therefore be judged with reference to its adequacy or inadequacy as a framework for the articulation of the dynamics of certain relationships. In brief, it is an attempt to establish a new paradigm.¹⁰

Obviously in unsophisticated hands the danger with total viewpoints is that dependency can easily become a pseudo-concept which explains everything in general and hence nothing in particular. In the hands of some Latin American writers, the theory of dependency is used as a *deus ex machina* explanation for everything which seems to be wrong with Latin American society. Instead of having a synthesis of the historical process, a descriptive catalogue of different types of dependency is given. But the fact that some or even the majority misuse the concept of dependency should not blind one to the merits of the theory.¹¹

The basic hypothesis of the theory of dependency is that development and underdevelopment are partial, interdependent, structures of one global system. Dos Santos puts it as follows:¹²

Dependence is a conditioning situation in which the economies of one group of countries are conditioned by the development and expansion of others. A relationship of interdependence between two or more economies or between such economies and the world trading system becomes a dependent relationship when some countries can expand through self-impulsion while others, being in a dependent position, can only expand as a reflection of the expansion of the dominant countries, which may have positive or negative effects on their immediate development.

Sunkel and Paz put the same point in very similar language; development is a global, structural process of change and underdeveloped countries are those countries which lack an autonomous capacity for change and growth and are dependent for these on the centre.¹³ Thus, the objectives, intensity, instruments and efficiency of development policies are limited within certain margins of flexibility.¹⁴ Furtado also emphasizes the necessity to begin with the structure of the world economy as a totality within which underdeveloped countries are sub-systems, and so the theory of underdevelopment turns out to be essentially a theory of dependence'.¹⁵ And finally,

Cardoso and Faletto maintain that development/underdevelopment are not different stages or states of a productive system, but rather are functions or positions within an international system of distribution and production.¹⁶

The view that underdevelopment can only be understood as part of the world capitalist system is of course not new. All Marxist writers on imperialism emphasize this aspect; but what is new in the theory of dependency is the attempt to start from the world economic structure to then develop the laws of motion of the dependent economies. Clearly as capitalism changes from one phase to another, one would expect these changes to set into motion changes in the structures of the underdeveloped countries. Much of the writing on dependency is in fact an attempt to use a periodization approach to typologize and explain how the changes in capitalism led to changes within Latin America. It is in this historical analysis, and the present-day analysis of the problems of Latin America, that the interest in a theory of dependency lies. For the theories of dependency are trying to show that the internal dynamics of Latin American society and its underdevelopment was and is primarily conditioned by Latin America's position in the international economy, and the resultant ties between the internal and the external structures.

However, each author emphasizes different aspects of how and why the international economy and its changes, condition changes in Latin America. Cardoso is primarily interested in the economic process as a social process. He and Faletto emphasize that dependency is not an external variable, but part of a system of social relations between different social classes within the same broad ambit of dependency. They stress that the social and political aspects of the development process need to be concretely linked with the economic aspects, and not just juxtaposed with them. For the economic process is also a social process in which economic groups establish, or try to establish, a system of social relations which permits them to impose on society an economic form compatible with their interests and objectives. In a dependent economy the dominant economic groups are those which cluster around the interchanges with the metropolitan country, and these groups develop an interest in maintaining or only slightly modifying these interchanges. The dynamics of Latin American society therefore depend on changes in the world economy, and how these changes produce changes in the Latin American economy which in turn spark off political and social processes for change and so on. The emphasis throughout is on the formation of classes, class contradictions, and class alliances, and the interplay between these and changes in the economy. The intention is to try and show in a precise form, the connection between the economic and political spheres, the basic relations between a dependent Latin

America and the hegemonic centres, and the whys and wherefores of particular Latin American socio-economic formations.

Sunkel has summarized his basic approach as follows:¹⁷

An analytical scheme appropriate for the study of underdevelopment and for the formulation of strategies of development should be based on the concepts of process, structure and system. It is illegitimate to argue that underdevelopment is a stage in the evolution of a society both autonomous and economically, culturally and politically isolated. On the contrary we postulate that development and underdevelopment are the two faces of the same universal process . . . and that its geographic expression is translated into two great polarizations: on the one hand the polarization of the world between industrial, advanced, developed and metropolitan countries and underdeveloped, backward, poor, peripheral and dependent countries; and on the other hand, a polarization within countries in terms of space, backward, primitive, marginal and dependent groups and activities.

To understand these polarizations, it is necessary to adopt an historical, structural and total approach, which is not arbitrary, but the result of theoretical and empirical reflection about the historical development of Latin America. The approach is also the result of a pre-analytic cognitive act—a 'vision':

In order to point out the implications of any problem, we must first assess a defined group of coherent phenomena, which should be the object of our analytical efforts . . . efforts which must necessarily be preceded by a cognitive, pre-analytic act . . . which like Schumpeter we might call 'a vision'.¹⁸

What Sunkel seems to have in mind is that each structure is made up of certain elements which have their own laws, that the complex of structures held together by certain laws makes up a system, and that the system undergoes a process of change. The historical approach allows one to identify the changing structures; the productive and social structures and the power derived from them allows one to identify how these influence economic and social policies; and the total approach allows one to understand the relation of the parts to the whole as facets or dimensions of the process of change of a system—in particular, in the case of dependent countries, how changes in the productive structure and power are the result of changes in the centre countries and of the ties between these countries and the dependent ones. The conclusion derived from this approach is that many of the so-called causes of underdevelopment are really the symptoms or results of the normal functioning of the total

system, i.e. underdevelopment with all its generally understood characteristics is a normal part of the process of world capitalist development.

In Dos Santos's view, dependency is a conditioning situation which causes underdeveloped countries to be both backward and exploited. By a conditioning situation, he means a situation which 'determines the limits and possibilities of action and behaviour of men'.¹⁹ The development of capitalism, he argues, led and continues to lead to a combined and unequal development of its constitutive parts: unequal, because development of parts of the system occurs at the expense of other parts; combined, because it is the combination of inequalities plus the transfer of resources from underdeveloped to developed countries which explains inequality, deepens it, and transforms it into a necessary and structural element of the world economy.²⁰ The conditioning situation of dependency requires an analysis of the economic relations in the capitalist centres, and the centres' expansion outward, and economic relations in the periphery, and the compromises and collusions 'among the various international and national elements which make the dependent situation'.²¹

The precise mechanisms of dependency will of course vary, and there is no substitute for detailed research on the mechanisms. Also, the nature of the foreign ties and their general and specific impact need to be analysed within identifiable historical periods. Dependency theorists generally distinguish three such periods for Latin America: the colonial, the *desarrollo hacia afuera*, and the present-day period. Their analysis of the patterns of dependency during the colonial period adds but little to, e.g., *The Colonial Heritage of Latin America* by S. and B. Stein. However, Cardoso and Faletto do manage to give a welcome social and political analysis to the Prebisch-style approach of the *desarrollo hacia afuera*. They draw an interesting distinction between the patterns of development in countries where a national bourgeoisie controlled internal production for export (although they themselves were controlled in turn by the metropolitan countries' control over commercialization, etc.) and began a process of capital accumulation through their exploitation of cheap labour and abundant land, and those countries whose ruling groups accumulated capital primarily through taxes on a foreign enclave.

The general view is that the incorporation of Latin America into the emerging world capitalist economy, first through a direct colonial administration and then, more subtly, through free trade, ensured that Latin American production was geared towards producing exports for the dominant economies, and the political and social system ensured that the gains from this were divided between a small

Latin American class (who used much of their gains for importing luxury consumer goods rather than diversifying investment) and the dominant metropolitan countries. The system was not static, but in general terms both social infrastructure and direct production investment decisions depended on the metropolitan countries. Thus the determinant of the growth and structure of the Latin American socio-economic formations remained largely exogenous to Latin America. By concentrating on primary product exports, Latin America was unable to develop an autonomous capacity for growth and change. Whereas the metropolitan countries, by concentrating on a productive process which had a built-in bias towards technical progress, formed 'poles of command'²² in which capital accumulation, decisions about capital flows, the formation of prices, technical change, etc., were almost entirely concentrated within their boundaries. The result was growth and development in the dominant countries, and growth and underdevelopment in the dependent countries.

With the collapse of the world capitalist economic order in 1929, Latin America began a process of trying to lessen her external vulnerability on the world markets. This entailed both radical shifts in political alliances and power (Cardoso and Faletto neatly summarize the variety and causes of these shifts), and the use of various policies—direct and indirect foreign commerce controls, fiscal and pricing policies, State investments, and new controls over foreign investment—in the drive for national development. This drive mainly took the form of import substitution industrialization. But instead of national development, the result was but another form of dependency.

The multinational corporation

The identification of the mechanism and consequences of this new dependency has been and still is subject to change. Sunkel once argued that the interconnections of four essential elements—the stagnation of traditional agriculture, the mono-export of a primary product, the type of industrialization policies, and the functions of the State—led to 'an overbearing and implacable necessity to obtain foreign finance'²³—the crucial mechanism of dependency. But now he argues that the key to present-day dependency is 'the penetration of the underdeveloped countries by the most powerful economic agent in the developed countries'²⁴—the multinational corporation. There seems to be a consensus among writers on dependency with this viewpoint.

The thesis is that the multinational corporation (with its basic characteristic of integration of diverse activities with a single firm)

is internationalizing the dynamic sectors of the Latin American economy. And so, after a brief spurt of national import substitution, the nature of the structure of production and the system of decision-making, income distribution and patterns of consumption, are becoming increasingly related to the internationalization of capital. But in contrast to previous forms of dependency, it is not trade but production for the internal market which characterizes modern dependency, and this process has taken place alongside increasing State management in the running of a dependent economy.

The key to the power of the multinational corporation is usually considered to be their control over commercial technology. Local industrialists, in order to have access to modern technology, link up with multinational corporations, and thus begin a process of denationalization of Latin American industry. This is part of a process whereby, in contrast to past dependency, internal markets now assume special strategic significance. Cardoso quotes from an ECLA study showing that the percentage of US direct investment in manufacturing compared with total US direct investment in Latin America rose from 7 per cent in 1929 to 34 per cent in 1968, and in the more industrialized countries of the continent, Argentina, Brazil and Mexico, from 17 per cent in 1929 to 66 per cent in 1968.²⁵

The restructuring of the international economy via the multinational corporation has a number of important implications for Latin America. First, although control over primary materials is still important for the developed countries, the tendency for foreign investment to produce for internal markets means that foreign investment mainly goes to where such markets exist—i.e. developed countries. Thus, Latin America's participation in international trade has declined from 12 per cent in 1948 to 6 per cent in 1968, and her share of US foreign investment from 39 per cent in 1950 to 20 per cent in 1968. Secondly, the tendency to link local capitalists to the multinational corporation has led to an increasing use of local capital to finance the joint ventures. US subsidiaries in Latin America have only a tiny percentage of their investment funds coming from the USA, as is shown in Table 2.1.²⁶

The implications of this switch to local sources of capital has been an increase of the net export of capital from Latin America to the dominant economies. The repatriation of capital by multinational corporations (not to mention the capital sent abroad by Latin Americans) can take many forms²⁷—repatriation of profits, royalties and other commissions, interest and payments on inter-affiliate debts, and transfer prices. This outflow and the deficits which it implies for the balance of payments of most Latin American countries is replaced by obtaining foreign loans. However, such 'aid' entails a further loss of national powers of decision-making, and adds a new