

## THE DEPENDENCY AND WORLD-SYSTEMS PERSPECTIVES ON DEVELOPMENT

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## Summary

Although the modernization school to which it reacted was an American product, the dependency school had its roots in the third world countries. Specifically, the dependency school was a response to the failure of the Economic Commission of Latin America (ECLA) program and the crisis of orthodox Marxism in Latin American countries in the early 1960s. Drawing heavily upon the radical ECLA and Neo-Marxist theories, the dependency school conceptualized the linkages between the Western countries and the third world countries as a set of externally imposed, exploitative, dependent, economic relationships which was incompatible with development. Thus, the dependency school advocated that the third world countries should sever their linkages with the Western countries in order to promote an autonomous, independent path of development. However, when the dependency school came under attack in the early 1970s, its researchers modified their basic assumptions. The latest assertion of the dependency school is that dependency is not just an economic but is also a sociopolitical process; dependency is not just an external relationship but is also a historically-specific internal relationship; and development can occur side by side with dependency. These recent modifications in the dependency school started a new direction of research which can be called "the new dependency studies."

The world-system perspective is the latest school to emerge in the field of development. It offered a new orientation to the interpretation of the major events in the 1970s, such as the East Asian industrialization, the crisis of the socialist states, and the decline of the capitalist world-economy. Influenced first by the dependency school and then by the French Annales school, the world-system researchers emphasized the need to examine the totality and the long duree. The unit of analysis thus should be the world-economy, a historical system composed of three strata: the core, the semiperiphery, and the periphery. The world-system school contends that by the late twentieth century, the capitalist world-economy would reach a transitional stage at which real choices might be made to change the path of human history. However, when the world-system school came under attack in the late 1970s, its researchers modified some of their basic assumptions. In the modified version, the concept of the world-system is taken merely as a research tool rather than as a reified reality; studies are now conducted on both the world-level and the national-level; class analysis is brought back in to supplement the stratification analysis, and so forth.

## 1. The Historical Context

Just as the modernization school can be said to examine development from the angle of the United States, the dependency school can be said to examine development from a third world perspective. For Blomstrom and Hettne, the dependency perspective represents "the voices from the periphery" to challenge the intellectual hegemony of the American modernization school.

The dependency perspective first arose in Latin America as a response to the bankruptcy of the program of the United Nation Economic Commission for Latin America (ECLA) in the early 1960s. Many populist regimes in Latin America tried out the ECLA developmental strategy of protectionism and industrialization through import-substitution in the 1950s, and many Latin American researchers had high hopes for a trend of economic growth, welfare, and democracy. However, the brief economic expansion in the 1950s quickly turned into economic stagnation. In the early 1960s there were unemployment, inflation, currency devaluation, declining terms of trade, and other economic problems. Popular protests were followed by the collapse of popular regimes and the setting up of repressive military and authoritarian regimes. Needless to say, many Latin American researchers were disappointed. They became disillusioned with both the ECLA program and the American modernization school which proved unable to explain economic stagnation, political repression, and the widening gap between the rich and the poor countries.

The dependency school was also a response to the crisis of orthodox Marxism in Latin America in the early 1960s. From an orthodox communist viewpoint, the Latin American countries had to go through the stage of "bourgeois" industrial revolution before they could wage any "proletarian" socialist revolution. However, the Chinese Revolution in 1949 and the Cuban Revolution in the late 1950s showed that the third world countries could skip the stage of bourgeois revolution. Attracted to the Chinese and the Cuban model of development, many radical Latin American researchers wondered whether their own countries could also move into the stage of socialist revolution.

This indigenous Latin American dependency school then quickly spread from Latin America to North America. Andre Gunder Frank, who happened to be in Latin America in the early 1960s, was instrumental in disseminating the ideas of the dependency school to the English-speaking world. In fact, outside Latin America, the dependency school has been more or less identified with Frank and the American journal "*Monthly Review*" of which Frank is a frequent contributor.

The dependency school received a warm welcome in the United States in the late 1960s because it resonated with the sentiment of a new generation of young radical researchers, who grew up during the campus revolts, during the anti-war protests, during the women liberation movements, and during the ghetto rebellions. In Daniel Chirot's words, "The American debacle in Vietnam and the eruption of major racial troubles in the mid-1960s, followed by chronic inflation, the devaluation of the American dollar, and the general loss of America's self confidence in the early 1970s, ended the moral conviction on which modernization theory had come to base itself. A new type of theory

became popular among younger sociologists, one that reversed all of the old axioms. America became the very model of evil, and capitalism, which had been seen as the cause of social progress, became a sinister exploiter and the main agent of poverty in most of the world. Imperialism, not backwardness and lack of modernity, was the new enemy."

## **2. The Intellectual Heritage of Dependency Theory**

### **2.1. The ECLA**

The formulation of a distinctly Latin American school of development is intimately related to the ECLA. In what is known as the "ECLA Manifesto," R. Prebisch, who was the head of the ECLA, criticizes the outdated schema of the international division of labor. Under such schema, Latin America was asked to produce food and raw materials for the great industrial centers, and in return, Latin America would receive industrial goods from these centers. To Prebisch, this scheme was at the roots of the developmental problem of Latin America. Reliance on exports of food and raw materials would inevitably lead to a deterioration of Latin America's terms of trade, which would further affect its domestic accumulation of capital.

Prebisch proposes that the one-sided international division of labor had to be stopped, and Latin America had to undergo industrialization:

- The process of industrialization was to be speeded up by the substitution of a large part of current imports by domestic production. Initially, domestic industries were to be protected from foreign competition by tariffs and other support measures, but once their competitive ability had improved, the local firms should be able to manage on their own.
- The production of raw materials would continue to play an important role in the Latin American economies. The income earned from exporting raw materials should be used to pay for imported capital goods, and thus help increase the rate of economic growth.
- Governments should actively participate as coordinators of the industrialization program. Increased government involvement was necessary to break the chains of underdevelopment.

Initially this ECLA strategy was rather coldly received by the Latin American governments in the 1950s. This resistance explains why the ECLA could not push forward radical measures such as land reforms. In fact, structural changes have never been placed on the high priority list of necessary changes. To a certain extent, the ECLA strategy can be considered as over-optimistic. It assumes that the various characteristics of an underdeveloped society would automatically disappear in the process of industrialization, i.e., industrialization would put an end to all problems of development.

Unfortunately, this ECLA program did not succeed. Economic stagnation and political problems came to the fore in the 1960s. As Blomstrom and Hettne explain, the

shortcomings of the policy of import substitution were obvious:

The purchasing power was limited to certain social strata, and the domestic market showed no tendency to expand after its needs had been fulfilled. The import dependency had simply shifted from consumption goods to capital goods. The conventional export goods had been neglected in the general frenzy of industrialization, the result was acute balance-of-payment problems in one country after another. The optimism of growth changed into deep depression. The failure of the moderate ECLA program has prompted the dependency school to propose a more radical program.

## **2.2. Neo-Marxism**

Another theoretical tradition that the dependency school draws upon is neo-Marxism. The success of the Chinese and the Cuban Revolution helped to spread a new blend of Marxism to Latin American universities, giving rise to a radical generation that described itself as the "Neo-Marxists." According to Foster-Carter, neo-Marxism is different from orthodox Marxism in the following aspects:

- First, while orthodox Marxism sees imperialism in a "center's" perspective as a stage of monopoly capitalism in Western Europe, neo-Marxism sees imperialism from the "peripheral" point of view, focusing on the indictments of imperialism on third world development.
- Second, orthodox Marxism tends to advocate a strategy of two-stage revolution. A bourgeois revolution has to take place before a socialist revolution occurs. Since most third world countries are backward, orthodox Marxism has high hopes for the progressive bourgeoisie to carry out the present stage of bourgeois revolution. However, neo-Marxism believes that the present situation in the third world is ripe for socialist revolution. It wants revolution here and now. It perceives the bourgeoisie as the creation and tool of imperialism, and is incapable of fulfilling its role as the liberator of the forces of production.
- Finally, if socialist revolution occurs, orthodox Marxism would like it to be promoted by industrial proletariat in the cities. Neo-Marxism, on the other hand, is attracted to the Chinese and the Cuban path of socialist revolution. Neo-Marxism has high hopes for the revolutionary potential of the peasantry in the countryside, and guerrilla warfare by the people's army is its favorite strategy of revolution.

## **3. Frank: The Development of Underdevelopment**

Andre Gunder Frank starts with a critique of the modernization school. According to Frank, most of the theoretical categories and development policies in the modernization school have been distilled exclusively from the historical experience of the European and North American advanced capitalist nations. To this extent, these Western theoretical categories are unable to guide our understanding of the problems facing the third world nations.

First, the modernization school is deficient because it offers an "internal" explanation of

the third world development. The modernization school assumes that there is something wrong inside the third world countries -- such as traditional culture, overpopulation, little investment, lack of achievement motivation, etc. -- and this is why the third world countries are backward and stagnant. In addition, by ignoring the history of the third world countries, the modernization school assumes that the third world countries are now at the early stage of development according to the experience of the Western countries, and therefore they need to look to the Western countries as mentors and follow the Western path of development in order to reach modernity.

According to Frank, the third world countries could never follow the Western path because they have experienced something that the Western countries have not experienced before. To put it plainly, the Western countries have not experienced colonialism, but most of the third world countries were former colonies of the Western countries. It is strange that the modernization school seldom discusses the factor of colonialism in detail because many third world countries had been a colony for more than a century. The colonial experience has totally restructured the third world countries and drastically altered their path of development.

In reaction to the "internal" explanation of the modernization school, Frank offers an "external" explanation for third world development. It is neither feudalism nor traditionalism in the third world countries that explains their backwardness. In fact, it is wrong to characterize the third world countries as "primitive," "feudal," or "traditional," because many countries like China and India were quite advanced before they encountered colonialism before the eighteenth century. Instead, it has been the historical experience of colonialism and foreign domination that reversed the development of many "advanced" third world countries and forced them to move along the path of economic backwardness. In trying to capture this historical experience of the degeneration of the third world countries, Frank formulates the concept of "the development of underdevelopment" to denote that underdevelopment is not a natural condition but an artifact created by the long history of colonial domination in the third world countries.

In addition, Frank has formulated a "metropolis-satellite" model to explain how the mechanisms of underdevelopment are at work. This metropolis-satellite relationship has its origin in the colonial period, when the conqueror implanted new cities in the third world with an aim to facilitate the transfer of economic surplus to the Western countries. According to Frank, the national cities then became the satellites of the Western metropolis. This metropolis-satellite relation, however, is not limited to the international level because it penetrates to the regional and local levels of the third world countries as well. Therefore, just as the national cities have become the satellites of the Western metropolises, so these satellites immediately become the colonial metropolises with respect to the provincial cities, which in turn have local cities as satellites surrounding them. A whole chain of constellation of metropolises and satellites is established to extract economic surplus (in the forms of raw materials, minerals, commodities, profits, etc.) from third world villages to local capitals, to regional capitals, to national capitals, and finally to the cities in the Western countries.

Frank argues this national transfer of economic surplus has produced underdevelopment

in the third world countries on the one hand and development in the Western countries on the other. In other words, the historical process which generates development in the Western metropolises also simultaneously generates underdevelopment in the third world satellites. Based on this metropolis-satellite model, Frank has proposed several interesting hypotheses to examine the third world development.

- (1) In contrast to the development of the world metropolis, which is no one's satellite, the development of the national and other subordinate metropolises is limited by their satellite statuses.
- (2) The satellites experience their greatest economic development if and when their ties to the metropolis are weakest. Frank observes that Latin America has experienced marked autonomous industrialization during the temporary isolation caused by the crisis of The First World War or by the depression in the world metropolis in the 1930s.
- (3) When the metropolis recovers from its crisis and reestablishes the trade and investment ties which then fully reincorporate the satellites into the system, the previous industrialization of these regions is choked off.
- (4) The regions that are the most underdeveloped and feudal today are the ones that had the closest ties to the metropolises in the past. Frank argues that the archaic institutions in the satellites are not their natural state but are historical products of the penetration of metropolis capitalism.

More of Frank's hypotheses could be listed here, but the above are sufficient to show that these hypotheses represent an approach to the examination of third world development different from that offered by the modernization school.

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### **Biographical sketch**

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