

## "CAN A USEFUL THEORY OF DEPENDENCY BE FORMULATED" ?

By

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The attempt of the dependency school of writers is to analyse the dynamic of underdeveloped economies in LDCs.

Therefore in order to discuss its usefulness it seems to me helpful to examine:

1) The driving forces which impelled the advanced capitalist countries towards their domination and control over the backward economy.

It is necessary to provide an analysis of the historical process of the world wide expansion of capitalism (i.e. imperialism).

2) What is the impact of capitalist mode of production into LDCs development? Would the expansion of capitalist mode of production into LDCs give impetus to their development or not?

1) Although classical Marxism does not really provide concrete analysis of the development of capitalism in LDCs, it is possible to derive from its analysis of imperialism—the « external » factors—, which the LDCs may confront in their economic development process.

According to the classical Marxists, the expansion of capital into backward economies becomes necessary because the internal dynamic of capitalism leads to a falling rate of profit, making it relatively unprofitable to invest in the older capitalist countries.

Capital is exported to those countries where :

- a) the organic composition of capital, as well as wages, are lower,
- b) the means of subsistence (raw materials) are cheap.

Foreign trade and foreign investment not only make it easier to realise surplus value but also to obtain those commodities required for further accumulation.

It helps to overcome the problem of «realisation» arising from disproportional development of various branches of production.

2) According to the theory of «Unequal Exchange» a capitalist LDC would still be unable to appropriate its surplus.

In Emmanuel's view LDC's have not been able to develop because of lack in effective demand due to low level of wages.

Self-expansion and reproduction of capital depend not only on the process of production but also on the process of circulation, in which surplus-value is realised.

But the lack of an available market in the LDCs is not necessarily a barrier to Capitalist-Development in those countries.

Capitalism once established in the LDC, can develop despite the lack of «internal» market because capitalist's demand is not only a demand for satisfying personal consumption, but is also a productive demand, i.e. a demand for additional workers who then produce the additional demand for means of consumption.

By introducing the productive demand it becomes clear how surplus-value can possibly be realised within a capitalist system itself.

There is no reason why imperialism should not expand capitalism mode of production into LDC's, because there are many advantages to be gained by doing so.

From the viewpoint of world capitalism, the development of the LDC's, if not necessary, is possible.

In fact many LDC's have experienced a substantial industrial progress during the post-war period.

This, however, does not mean, as Warren seems to suggest, that Development becomes possible throughout the LDC's.

Warren states that the main cause for capitalism development in LDC's has been the formal independence which enabled them to exploit both inter-imperial and East-West rivalries, to take collective actions against imperialist interests, to utilise the new economic and political conditions to build a «successful indigenous capitalism less subordinate to the needs of imperialist countries».

He admits that there is a net foreign exchange outflow which can be considered as the opportunity cost which LDC's should pay to DCs for creating domestic capacity. Warren concludes that 'imperialism declines as capitalism grows'.

Warren's analysis can be criticized on the following grounds :

a) He focuses on the industrial sector and ignores the others, he does not distinguish between ownership and control, and between nature and elimination of dependence.

b) He does not consider the articulation of interests between external - internal classes.

c) He rejects the existence of technological dependence.

But technology is not just items but embodies the whole political, social and economic relationships.

In LDC's both technological Knowledge itself and capacity to use such Knowledge has to be transferred as part of Direct Investment package.

Some argue that technology is not even transferred by foreign investment but merely is intra - transfer of technology and no to LDC's.

Warren' s analysis is inadequate to examine such phenomena.

He is thinking in terms of technological transfer rather than for the diffusion of that technology throughout LDC's.

d) Although he speaks of imperialism as a system of domination and exploitation, does not make any effort to clarify and explain the origins of that system are.

The more important point in Warren's analysis seems to be the implicit political message which is close to Leunin's imperialism.

The message states that the contradictions lie in LDC's themselves, and not between 'North' and 'South' but between «K»—«L» within individual formations.

Therefore we must explain the class structure in those societies.

From the above considerations it is clear that capitalist Development in LDC's is possible.

But to say that development in LDC's is possible does not mean that there are no barriers to the actual development process of those countries.

One may ask, after all, why capitalist development in some LDC's has taken place rapidly, and in orthers more slowly.

The existence of such question indicates that the degree of industrialisation, capital accumulation in LDC's, social—economic exploitation depend not only on the dynamic of the expanded reproduction of capital, but also on the internal structural characteristics of the pre-capitalist modes.

Therefore, the usefulness of the Dependency theory depends on its ability to provide a concrete analysis of the interrelationships between 'external' and 'internal' forces in each particular underdeveloped society.

Dependency is used very widely and is not associated with any ideological standpoints.

The general field of study of the dependency analyses is the development of the Third World capitalism.

There are, however, a number of different traditions within the theory of dependency.

In broadly terms the development of dependency theory can be distinguished between three major approaches :

1) That of those who do not accept the possibility of capitalist development in Third World countries, but only of the 'development of underdevelopment'.

Economic Development in these countries is a matter of the effect of external forces on their internal structure.

2) That of those (ECLA, Furtado) who concentrate upon the obstacles which confront capitalist development in those countries (particularly market constraints).

They fail to take into account the economic and other relations between today's DCs and the LDC's through the history of the world wide expansion of the capitalist system. They conceive underdevelopment in a country as being the product of the country's own economic, political, social and cultural structure and international relations as being between isolated capitalist and pre-capitalist economies.

This approach offers an important critique of such approaches as Rostow's stage of growth', dualism, functionalism, and in general all those who do not integrate into their analysis an account of the socio - political context in which development takes place.

3) That of those who accept the possibility of capitalist development in Third World and see economic development (or underdevelopment) in Backward countries as the product of their integration into the World market, brought about by the requirements of capitalist expansion as whole, and the resultant interrelationships between advanced and backward countries.

## A. FIRST APPROACH

The father of this approach could be regarded P. Baran (1957).

He challenged the orthodox Marxian view concerning the constructive nature of the capitalist system.

Baran argues that capitalist penetration developed some of the pre - requisites of capitalist development but block others, mainly through: 1) the extraction of the investible surplus, 2) the destruction of indigenous industries.

The main cause of continued underdevelopment is not simply the irrational use of the actual surplus, but the mode of utilisation of the potential surplus (i.e. mo-

nopoly structure prevents its product or if it is produced it is either appropriated and wasted through luxury consumption and/or is withdrawn by foreign capital.

Of major importance for Baran was the nature of the wealthy class, either surviving from pre-colonial times or created under colonial rule. It was a class incapable of establishing the capitalist mode of production because it was not autonomous. It was rather a comprador bourgeoisie.

Baran's argument that underdevelopment was actually determined by the nature of Western European Development, as well as his concept of economic surplus, have been most influential in the work of Frank. Frank traces economic underdevelopment to the inherent contradictions in the capitalist development process. The first of these contradictions in the metropolis — satellite polarisation. This leads to the second one : the expropriation — appropriation of economic surplus. He uses the expression of the «Development of underdevelopment» to refer to the continuous process by which capitalist contradictions and development generates underdevelopment in the peripheral satellite countries whose 'potential' economic surplus is expropriated, whilst generates development in the metropolis centres that appropriate the surplus.

It is argued that the structure of the peripheral satellite has been highly monopolistic throughout the history of capitalist development however competitive the economic structure of the metropolis may have been in any given stage of its development. The capitalist contradictions of Development—Underdevelopment were not only the specific features of the era of colonialism (i.e. a state precapitalist 'backwardness' ) but is rather «a consequence and particular form of capitalist development known as dependent capitalism».

Frank speaks of a third contradiction—the contradiction of 'continuity in change', i.e. the structural essentials of economic development of the capitalist system at all times and places are continuous and ubiquitous. This implies that :

- a) the periphery's economic system has been 'capitalist' right from the beginning of the periphery's integration into world market.
- b) the bourgeois revolution in the periphery is impossible.
- c) it does not make sense to speak of feudal, semifeudal elements. This undermines the concept of the dual economy which has dominated much orthodox and Marxist thinking about LDC's.

In contrast to Baran who believes that imperialism generates underdevelopment (contrary to Lenin's view) Frank argues that capitalist implies underdevelopment.

For him the only political solution is a revolution of immediate socialist cha-

racter and not of a democratic bourgeois revolution (as the traditional L. America Left argues).

The roots of capitalist development were to be found in the rise of a World 'commercial network' developing into a 'mercantile capitalist system'.

Therefore, he locates the dynamic of capitalist development not in a self-expanding process of capital accumulation (by way of technological advance) in the metropolis itself, but in the appropriation of the peripheries' economic surplus, and the organisation of the periphery's internal modes of production to serve the needs of the metropolis.

This view of Development /Underdevelopment led Frank to conclude that economic Development/ Underdevelopment are, on the one hand, r e l a t i o n a l and q u a n t i t a t i v e , i. e. each is structurally different from (mutually exclusive), yet caused by its relation with the other (mutually dependent)—and n o t j u s t r e l a t i v e a n d q u a n t i t a t i v e , i. e. one representing more development than the other.

We have a unique process, namely World capitalism with two contradictory elements as its two poles : Development—Underdevelopment.

#### CRITIQUES :

1) He is wrong to assume that once a country incorporates into capitalist world economy is capitalist.

He confuses the two concepts of the 'capitalist mode of production and participation in a world capitalist economy system'\*

Although capitalism is a system where production for profit via exchange predominates the existence of production for profits in the market, does not necessarily capitalist production.

Development — Underdevelopment process must be seen, not in the rise of a world 'commercial network', but in the very specific forms of relations of production.

The dynamic force of economic Development process,—a qualitative process—was not merely the accumulation of wealth in general, but the development of the productivity of labour of the direct producers of the means of production, and means of 'subsistence' which was dependent, in turn, upon the emergence of a specific social system (a class system, a property system) in which those who controlled the production were able to continue to increase their profits (or surplus value) largely by developing the productive forces or by increasing, what is called, the relative surplus - value.

\* Laclue; 'Feudalism and capitalism in L. America' New Left Review No. 67.

In other words, although such mechanisms as 'expropriation /appropriation' of economic surplus and the 'metropolis/ satellite' explain little, and they needed to be rooted in the class and productive structures of the periphery.

2) Frank's comment that 'Ultra-underdevelopment . . . . was characteristic of an export economy' must be carefully qualified.

Ultra - underdevelopment must be the consequence of ultra - incorporation of the satellite into the metropolitan sphere.

It could thus be argued that the most Ultra - underdevelopment part of the L. America is oil - rich Venezuela where contemporary rather than past colonialism assumes its most extreme forms.

Frank therefore agrees to distinguish between the active development of Underdevelopment and the passive state of Ultra - underdevelopment in the exporting regions of earlier periods in the development of World capitalism.

It was not the production for exports as such, but the class structure through which it was carried out (based on 'ultra - exploitation methods of absolute surplus Labour' ) which determined that increasing export production would lead to underdevelopment rather than development.

## B. SECOND APPROACH

In the 60's dependency theories emphasise the point that Dependency is not an external factor.

This is stressed by a leading dependency theorist, Dos - Santos.

Dos—Santos distinguishes different types of relations of dependency (i.e. colonial, industrial, financial, technological) and consequently distinguishes different kinds of internal structures generated by them.

He emphasizes the different types of dependency and between the internal structures which result from them, while Frank himself stresses the continuity and similarity of dependency relations in a capitalist context.

He argues that to understand dependence as a conditioning context of certain kinds of internal structure is to understand development as a World -wide historical phenomenon, as a consequence of the formation, expansion and consolidation of the capitalist system.

These consequences are not 'the effects' of capitalist development in a simplistic sense, but rather they are integral and determinant parts thereof.

Dependency is a conditioning situation in which the economies of one group of countries are conditioned by the development of other.

Some countries can expand as are flection of the expansion of the dominant countries, which may have positive or negative effects on their imediate development.

Dos — Santos concludes that if dependence defines the internal situation and is structurally linked to it, a country cannot break out of it simply by isolating herself from external influences ; such action would provoke chaos in a society which is of its essence dependent.

The solution should be asked in the change in its internal structure (i.e. confrotation with the existing international structure).

ECLA emphasised the failure of exports to stimulate growth because the terms of trade between primary products and manufactured decline and the consequent need for industrialisation bahide protective barries (i.e. ISI).

The theory of dependency is the response to the perceived failure of ISI.

ISI has not achieved the expected development.

This has led to the realisation that the forms of dependency may have changed but the essential condition has not been eliminated.

ECLA criticised the conventional theory of international trade (O - S).

It Aimed to show that the international division of Labour, which according to conventional theory based on the comparative advantage was of much greater benefit to the centre.

But ECLA critiques were not based on an analysis of social process and did non call attention to imperialist relationships among countries and did not take into account the assymetric relations between classes.

They fail to take into account the cyclical pattern characteristic of capitalist development.

### C. THIRD APPROACH

That of Cardoso—Falleto who introduced the concept of the possibility of development within dependency, however distorted and unequal.

Their approach is more diallectical than Frank's since they do not only analyze the blocking force of foreign capitalism penetration which tends, even under imperialism, to revolutionize the means and relations of production.

It is a structural and historical approach containing the mechanisms of self-perpetuation and the possibility of change.

They do not see dependency—imperialism as external—internal sides of a single coin with the internal aspects reduced to the condition of "epiphenomenaP.

They are not simple symptoms and they cannot be seen marginally and peripherally.



Dependency is a changing relation of class forces, internally and externally. Thus it is not a 'thing' but a process with many dimensions and facets that must be concretely and historically understood.

It is not something that can be precisely theorized, quantified and tested.

Cardoso—Falleto reject the theory of Dependency and refers to situations of dependency.

They also present an analysis of the role of the state (in the lines of A. GRAMSI) and attempt to account for differences in state organization by differences in the level and intensity of class struggles internally and the country's place in the international capitalist order.

Since some LDC's have succeed to development from the incorporation the problem is not the incorporation as such but rather the nature of domestic economy (i.e. when different sectors of local classes allied or clashed with foreign interests e.t.c).

The analysis of dependency is a dialectical analysis aims to explain the interrelationships of classes and nation—states eat the level of the international sceme as well as at the level internal to each country.

Although, imperialist penetration is a result of external social forces (TNC's, technology, e.t.c.) the system of domination reappears as an 'internal' force, through the social practices of locdal groups and classes which try to enforce foreign interests, because they may coincide with values and interests.

It implies the possibility of 'the internalization of external interests'.

The analysis of concrete situations of Dependency requires to find out what forms of social and economic exploitation there are, to what degree industrialization and capital accumulation in the peripnery has advanced, how local economies relate to the international market, and so forth ; and this as the result not only of an abstract 'logic of capital accumulation' but also of particular relationships and struggles between social classes and groups at the international as well as at the local level (different forms of state, sustained dinstinct ideologies, the size and type of the classes e.t.c).

Thus the forms adopted by dependency may vary considerably.

In the case of dependence in enclave situations foreign invested capital originates in the exterior where in nationally controlled situations the starting point for capital—accumulation is internal, and the international market is required to realize the final steps of the capital circuit.

In the case of contemporary dependent industrializing economies controlled by TNC's although initial accumulation often is external a substantial part of industrial production is sold in the internal market.

The next question to be asked is concerned with the usefulness of the dependence theory.

Can we consider Dependency as a formal theory or just as a theory of Dependence?

If we do not accept dependency as a formal theory then no general implications can be abstracted from its analysis.

Some of those who argue that there is such a theory make the conclusion that development is impossible within the World Capitalist system, thus making development strategies irrelevant (with the system).

Others who speak in terms of theory of Dependency, argue that it can be operationalized into a practical Development strategy for dependent countries.

The contribution of Dependency has been up to now more a critique of development strategies in general, rather than an attempt to make practical contribution to them. The concept of Dependence has been incorporated into orthodox Development Economies, but it has been misinterpreted and misused by supporters and critics alike.

Too often the concept is reduced to a mere listing of the characteristics of LDC's or a description of different types of dependency.

Lall, for example, after discussing the so-called static-dynamic characteristics of Dependence, concludes that the concept as applied to LDC's is impossible to define. He argues that we cannot find characteristics which can be exclusively attributed to dependent countries.

That is why in order to avoid the classification of Dependent—Independent proposes to think in terms of a pyramidal structure of socio-political dominance in the capitalist World, 'with the top (hegemonic) position held by the most advanced capitalist country and the bottom by the smallest and poorest ones.

But the concept of Dependency is empty of meaning if it fails to analyse the class structure of the LDC's and the relationships that exist between the domestic ruling class and foreign interests, in the way suggested by Cardoso.

The concept of Dependency cannot be described by a list of characteristics, or by measuring degrees of dependency.

Dependency is not a quantitative state of affairs.

It should be viewed as 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 ad-hoc hypotheses fit this framework.

The theory of Dependency must be viewed as a framework of reference within

which various heterogenous phenomena are analysed to see how they link and interact with each other to form a total system.

According to Szentes there are two aspects or sides of underdevelopment ; the external, international aspect, which from the historical point of view is of primary importance ;

and the internal aspect, which from the point of view of future development, is of increasing importance.

Although underdevelopment is an international product, development still has a basically national framework.

It is undoubtedly the case that Dependency theory has provided many important insights into the characteristics of LDC's and the interaction between them and DCs.

It helps to explain the development process.

Although the Marxist approach is concerned with analysing the characteristics of capitalism which resulted in 'imperialism' the theory of Dependency is concerned with the development of capitalism in Backward countries.

In this sense, the 'Dependency' approach could be regarded as an attempt to enrich the classical Marxist approach to imperialism, by trying to formulate the laws of motion of underdevelopment economies.

The theory of Dependency could be recognised as a subordinate field within general Marxian theory of capitalism and in particular a complementary part of the classical Marxian theory of imperialism.

Also, it can be argued that the critics of the concept provide insights into the nature and dimensions of the development process.

The theory of dependency must be judged with reference to its adequacy or inadequacy as a framework for the articulation of the dynamics of certain relationships. Obviously the danger is that dependency can easily become pseudo-concept which explains everything in general and nothing in particular.

A useful theory of dependency can be formulated if the theory sees economic development or underdevelopment in Backward economies as the product of their integration into the world market, brought about by the requirements of capitalist expansion as a whole, and the resultant interrelationships between Advanced and Backward countries.

In such a theory the dynamic of the Backward nations are seen as a synthe-

sis of the general determinant of the capitalist system (external factors) and the specific determinants of each (internal factors).

The relationships between external and internal forces form a complex, whose structural links are not based on mere external forms of exploitation, but are rooted in coincidences of interests between local dominant classes and international ones, and, on the other side, are challenged by local dominated groups and classes.

The formation of the economic periphery of LDC's cannot be understood without reference to the economic of the Advanced capitalist countries and their interest in the integration of non - capitalist economies into the World market.

Yet each stage of capitalist expansion into LDC's cannot possibly show the same history or consequence.

Such differences between them vary not only as to which national resources are being sought after and the specific periods of history in which certain economies have been incorporated into the international system, but also as to the interrelation of local interests with those of foreign capitalism, the different organisation of states, the local ideologies.

Thus, it should be understood that pre-capitalist modes of production and their ideologies bring heavy influence to bear on the nature of the Developed country's capitalist expansion into states of the Third World.

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