

Dependency Theory Revisited and Revised

A.V. Manivasagar

In providing both a notion of causality and a linkage of internal with international factors, dependency theory has offered a serious challenge to conventional development theory. It can be seen either as an absolute alternative or as worthy of at least equal consideration. This has happened within the past decades and, as a consequence, while conventional theory grapples with the challenge, dependency theory is still sorting itself out and responding to internal and external critiques.

Prior to offering my own reconceptualization of dependency, I will very briefly trace the origins of the concept and review the attempts to operationalize and test its theoretical implications. The latter endeavour will be rather more thorough than the former, as it leads logically into my reconceptualization. In the course of this exercise, I will deal with the various critiques of dependency theory on theoretical as well as operational grounds.

As my study has just completed the stage of theoretical formulation, we will merely indicate the type of analysis to be undertaken later, the sorts of testable hypotheses derivative from the literature, and the importance of this type of analysis.

The Origins of Dependency

The intellectual origins of dependency studies lie in populist nationalism and in the failure of the developmentalist strategy of export expansion prior to World War II and of import substitution in Latin America in the post-World War II period. These were later modified by the United Nations Economic Commission for Latin America (ECLA) these concerning centre-periphery trade relations¹ Closely related are critical analyses of conventional economic theories of development. Critiques of predominately American sociological and political science assumptions regarding political development are equally important.

Finally, Marxist concepts have provided probably the most important source of dependency theory. Cardoso (1977), Fagan (1977), Leys (1975) and Chilcote (1974) agree on this point. I will consider each of these sources in turn.

The initial and continuing most important concern of dependency studies has been the explanation of underdevelopment. The first attacks were therefore launched at conventional economic explanations of development and underdevelopment. The theory of comparative advantage advanced first by Ricardo, embellishing Adam Smith's conceptualization of laissez-faire economics, postulated a pure model of growth based on the dictates of supply and demand. If an economy relied upon its natural advantage in certain commodities, it could not help but develop and this process would benefit all economies equally. Latin America provided the first evidence that this was not, in fact, the inevitable outcome. The export-oriented strategy did not work when it confronted a long-term decline in the terms of trade for its basically unprocessed exports.

Latin America faced a chronic structural balance of payments crisis and an unequal distribution of productivity gains, dating back at least as far as World War I, when American and British industrial interests replaced indigenous industry (Frank, 1967 : 297). While the centre (the industrialized "first" world) got higher wages and factor prices, the periphery (Latin America as representative in this case of the "third" world) got declining commodity prices and stagnant wage rates. The alternative strategy proposed by ECLA was an inward-oriented one: industrialization behind high protective barriers with the assistance of state planning.

Contrary to ECLA expectations, this policy was in serious trouble by the 1960's. Rather than reducing dependence, the change from export oriented to import substitution development had facilitated an increase in foreign trade domination. Exports remained largely raw materials while import, dependence had shifted to the last-stage assembly (import substitution) of consumer goods (see Furtado, 1973). André Gunder Frank (1969) is perhaps the best known of the Latin American scholars who developed the critical analysis of their own socio-economic realities that has become known as 'dependencia' theory.² Other major contributors were Baran (1957), Szentes (1971), and Arrighi and Saul (1973) were among the first to apply dependency analysis

to the African situation. An Egyptian economist, Samir Amin (1974, 1976), also emerged as the leading theoretician, for his work is not based on a specific geographic region.

The second dominant theme, the criticism of conventional economic explanations of underdevelopment, emerges clearly. The failure to link such concepts as savings, capital investment and the like, to a historical context is seen as a major fault. So too is the reliance upon features such as the unevenness of productivity between sectors of the underdeveloped economy or external dominance as characteristics of the 'traditional' economy as explanatory factors (Amin, 1974: 115).

The whole notion of 'obstacles' to development, particularly as these are seen as internally generated, is rejected. Hence, the analyses of economists such as Rostow (1960), Myint (1965), Harrod (1963), Kindleberger (1958), Hoselitz (1960) and Viner (1952) are dismissed as unrealistic. Vicious circles, linear functions, immutable psychological laws, economic propensities, utility functions, processes of circular causation and the like are seen as totally irrelevant in explaining the problems of exploitation, corruption and poverty in the underdeveloped world (Escobar, 1995).

The sociological variant of Western development theory is a further object of criticism to dependency theorists. The notion that attitudinal changes must precede economic change has been articulated by a variety of authors: Hoselitz (1960), McClelland et al. (1969), and Rogers (1969) are more or less representative of the "backward peasants" approach that dependency calls into question.³ Okwuosa (1976) questions the validity of this approach on academic grounds; others would stress the ethnocentric and tautological assumption that already developed countries have a monopoly on proper roles and attitudes.

Similarly, the whole current "school" of political development is called into question because it gives tangential attention, if any, to external factors while dealing almost exclusively with internal 'causes' of non-development.⁴ These include tribalism, instability, political cultures of an inappropriate nature, prismatic and refracted bureaucracies and societies, various crises of participation, identity, legitimacy and the sequential order thereof. The volume from the Committee on Comparative Politics of the Social Science Research Council (Binder, et al., 1971) is representative although

the political decay/order approach of S.P. Huntington (1968) is less jargonistic and hence probably more widely read.⁵

An ethnocentric bias was also discerned in these analyses, the underlying assumption being that development meant industrialization, secular, urban and stable societies with moderately competitive party politics of the pluralist sort (see Bodenheimer, 1971, for a general criticism of these assumptions). The notion that there are not only dual economies⁶ but dual socio-political systems operative in developing societies is also attacked.

Perhaps the most telling indictment of conventional development theory is that its prescriptions for change and/or incremental reform would require action by those with the most to gain from maintaining the *status quo* unchanged: the existing elites. Cohn Leys makes the point very well in his case study of Kenya (1975: 254-275). Leys also noted that dependency theorists are criticized because they must perforce end up advocating revolutionary change in the societies they study—but that advocacy in the security and isolation of one's study is scarcely very threatening.⁷

Finally, there is the contribution of Marxism, particularly the concepts of imperialism and neo-imperialism.⁸ The earlier literature on imperialism (Hobson, 1902 and Lenin, 1939) focused on the motivations of the imperial actor rather than the consequences for the object of such action. Later writings have often been non-empirical or polemic in tone (Rhodes, 1970; Jalée, 1968). Nonetheless, the concepts of exploitation through appropriation and transfer of surplus value and the process of unequal exchange are of such significance that they have informed non-Marxist thinking as well. This is equally true of the stress upon the importance of a state's location within the international economic order.

Dependency studies are part of a renewed Marxism that seeks to "re-establish the tradition of analysis of economic structures and the structures of domination" (Cardoso, 1977: 10). The present state of underdevelopment and dependency theory (UDT) has been summarized by Leys in an article that emphasizes its Marxist underpinnings. He isolated five interrelated theses regarding the nature of dependence (1977: 192-93).

- (1) that it is part of the historical process of the spread and development of capitalism.
- (2) that the motive force of this process is 'capital seeking profits.'
- (3) that maximizing profits required a system of surplus removal that has perpetuated low levels of productivity and a subordination of such economies to the centres of capital accumulation.
- (4) that certain structural consequences have resulted in the dominated economies that make locally initiated change (nearly) impossible.
- (5) that there has been a corresponding emergence of local (peripheral) social classes who function as allies of central capitalists.

The historical process and internal dynamic behind the first two theses have been well explicated elsewhere (see O'Brien, 1973; Amin, 1976, 1977; Frank, 1972; Mandel, 1975). The remaining three theses may be restated in a form acceptable to most dependency theorists. There is a widening gap in wealth between the industrialized centre and the periphery as a consequence of various factors. These include distortions toward export sector dominance in the periphery to the detriment of the rest of the economy, a transfer of surplus profits (more generally, surplus value) from the periphery to the centre, unequal exchange, and the emergence of multinational corporations that tend to maintain and extend the exploitation of the periphery after the end of direct colonial rule by allying themselves with the peripheral bourgeoisie (Barratt Brown, 1972: 20-21; Mandel, 1975: 344-345; Magdoff, 1969). Although the form of imperialism has changed from direct to indirect colonialism, the exploitative content has remained constant because of this latter alliance.

While several different strains of dependency theory exist,⁹ the précis above does indicate the elements of commonality within them. While there may remain some Western political and economic analysts who refuse to take dependency theory seriously because of its Marxist origins and terminology, the IMF, various bilateral and multilateral aid agencies and many serious students of third world politics have incorporated at least some of its insights into their thinking although dependency scholars would question both the motivation behind this and its ultimate beneficial effects for peripheral countries (see Frank, 1974: 89-90 on this point). Nonetheless,

the “development decades” of the 1960s and 1970s did not narrow this gap between rich and poor nations; dependency theory offers a plausible, if as yet empirically unproven, explanation.

“The relations of interdependence...assumes the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development” (Dos Santos, 1970: 231).

The widening acceptance of the need for a “North-South Dialogue”, however stalled the actual dialogue may be, is current evidence of the extent to which the dependency interpretation of reality has prevailed. In short, dependency analysis locates the problems of poor countries in the pattern of international economic relations. Inexorably the process of capitalism has meant that a few nations will be rich and that the rest will be poor.

There is increasing emphasis, moreover, on the argument that *separate classes* of dependent countries are emerging. The work by Peter Evans (1979) stresses the distinction between the “periphery” and “semi-periphery” nations in its focus upon the latter *via* “dependent development” a category which owes its intellectual origins to the formative analyses of Brazilian dependency (see Cardoso, 1973). The “semi-peripheral” status is suggested by Evans as an appropriate description of the rapidly industrializing dependent nations such as Brazil, Mexico, Argentina, Venezuela and Nigeria, the last of which is taken to represent the far end of a “semi-peripheral” countries development continuum (Brazil and Mexico represent the paradigmatic cases). The semi-periphery is characterized by extensive center-country direct investment, increasing state participation in the internal economy and large national foreign debts—in contrast to the generally favourable trade balances of the “real periphery”. Dependent development implies the existence of a growing alliance between multinational, state and local capital within the semi-peripheral economy. This “triple alliance” as Evans calls it, is based upon the mutual benefits that are to be derived by the three partners from the accumulation of industrial capital within the country. The major share of the dependent developing country’s population is disregarded by the tripartite decision-making and process, extremely uneven national

development patterns are said to be characteristic of the syndrome. This analysis is particularly interesting because of its focus upon the domestic correlates of dependency, although its concern with the most indebted of the developing countries is likewise of great interest.

While there are limited possibilities of manoeuvre at the fringes of the centre (the rich nations) for a few countries to exploit, albeit in limited fashion, their fellow poor, there is no possibility that all can become rich (see Fagan, 1978 : 291 for a discussion of the constraints imposed on the so-called semi-peripheral states). In fact, the theory points out that the now-developed were never underdeveloped. They may have been undeveloped in the sense of not having been capitalistic at some point in the past, but they were never in the position of unequal exchange characteristic of most underdeveloped countries of the present. The now developed have not occupied the lower but the upper strata (Moul, 1974 : 153). The analogy between change in the contemporary underdeveloped world and the earlier developmental experiences of Europe or North America is a mistaken one (Kaufman. et al., 1975 : 306, Todaro 1977). This is in addition to the further question of whether the earlier development experience is even theoretically repeatable in the contemporary world.

A great many claims have been made for the explanatory power of dependency theory despite the fact that its internal logic is as yet imperfectly specified. The hypothesized consequences, however, have been more clearly set out and will be presented in the last section of the paper.

Before turning to the critique of dependency, it may be useful to note its major contributions (see Sloan, 1977 : 29). These include encouragement of multi-disciplinary approaches, disclosure of the artificiality of the division of internal from international politics and the need to examine the consequences of foreign aid, trade and investment and finally, the highlighting of questions of socioeconomic distribution and economic productivity. Indeed, some (Smith, 1981 : 756) would see this highlighting of normative questions such as that of distributive justice as the major contribution.

Theoretical and Operational Problems of Dependency Theory

In order to utilize the insights of dependency theory, one must first evaluate its conceptual structure and coherence. Since I am not the first to do this, I may synthesize

the conclusions of others that I may get on with the task of re-conceptualization. It is only fair to note that dependencia theorists do *not* approve of these efforts. It is particularly important to reject decisively what has been done to the so-called "theory of dependency" in the United States. It has been "vulgarized, sanitized, and sterilized" (Fernandes, 1979: x).

The most serious objection raised against dependency theory is that it is not a theory at all but a "sensitizing" device, a way of looking at the world that is essentially ideological.¹⁰ Variants of this theme are that it is a description of the current state of Latin American economies or that it is merely a critique of conventional development theory. Although the point does not seem to have been made with any degree of clarity by either side, the discovery of "puzzles" unexplained by the ruling paradigm has traditionally been the first step toward the articulation of a new (and hopefully better) paradigm or theory. Portes notes that this... "helps define the scope of a field of study, sets priorities for empirical investigations, and provides an abstract framework under which more concrete hypotheses can be articulated." (1976:77-78)

Although a good deal has been made of the notion that dependency is not a theory but at best a description of the perverted Latin American development process, this seems to me a misreading of the dependencia literature (see Kaufman, et al., 1975:306 or Duvall and Russett, 1976: 6-8; Bates 2001). While its concepts have been ambiguous, and the relationship between them only vaguely specified, to the extent that dependency theory does postulate that certain consequences flow from the position of a nation in the international market economy, it contains the elements of a theory and is rightly treated as such. A growing literature of empirical evaluations of dependency theory is based on the acceptance of the assumptions and derivative hypotheses as sufficiently developed to treat dependency as a theory. A second major, related, criticism is that dependency is circular or tautological in its conceptualization. This stems partially from the intellectual origins of dependency as a critique of conventional development theory.¹¹ In pointing out conditions and processes that the latter had overlooked, dependency theorists have not firmly separated cause and effect. The internal results of dependency have been incorporated within the concept.¹² This circularity problem has attracted the critical attention of Ray (1973), O'Brien (1975) and Wove (1975). Not all, however, have taken the logical next step and

separated dependency from underdevelopment. Lall, while doing so, then concluded that dependence was impossible to define and not causally related to underdevelopment (1975 : 808). I believe that the basis of the circularity problem stems from the treatment of dependency as a dichotomous variable rather than as a segment of a continuous one. In laying down certain characteristics of dependent economies which were not found in non-dependent ones, the tendency seemed to be to incorporate what dependencia theorists themselves saw as effects into the definition of a dependent country. Inevitably, it was then impossible to show that these characteristics adversely affected the course and pattern of development of such countries. As conventional social science took note of the writings of dependency theorists, this failure to separate underdevelopment from dependency (or exploitation, or imperialism, or whatever) was singled out as the major failing. In O'Brien's apt phrase, "...they tend to lose the parts in the totality. Everything is connected to everything else, but how and why, often remains obscure" (1975 : 23).

A third criticism is that too much is claimed for a single explanatory factor, dependency. This may stem from a misreading of what precisely is meant by the concept, one which is actually quite complex. Part of the blame must be laid at the door of "dependendistas" themselves: their writings have not been models of clarity.

Finally, it is said that the theory is not stated in a testable form, nor are concepts operationalised and empirical referents specified. Given that dependencia theorists consider the entire analytic structure to be self-evidently true, it is perhaps not surprising that they have seen no need to test it rigorously. Examples tend to be derived unsystematically from a variety of countries and time periods and what are actually hypotheses are stated as proven facts. It has remained for a few enterprising "conventional" social scientists to deal with dependency as theory.

The criteria for testability are more easily stated than applied. Lall (1975: 800) defined the theoretical requirements as :

- (1) It must lay down certain characteristics of dependent economies which are not found in non-dependent ones.
- (2) These characteristics must be shown to affect adversely the course and pattern of development of the dependent countries.

Stated somewhat differently, dependency must have a set of concepts and relations among them with the specification of empirical observations to test the hypothesized relationships (Caporaso, 1974: 88).

Both LaI and Caporaso add an important additional distinction, that of the static condition versus the dynamic process. While dependency theorists would emphasize the historical process and the continuing, nearly self-perpetuating regeneration of dependency and hence would be squarely behind a dynamic process approach, many empirical evaluations of dependency have used a static approach (in the sense of cross-sectional rather than longitudinal research design).

The earliest attempt at empirical evaluation of dependency combined a variety of economic performance measures with dependency indicators. Subsequent evaluations, beginning with Stallings (1972), have separated the two concepts with some degree of consistency. Many of these, however, have not escaped the general criticisms of dependency itself: vague definition of the main concept, inadequate operationalisation and the tendency for evidence adduced to be thin or overstated (MacGowan and Smith, 1978 : 190; Burkhart and Beck 1994) Since there have been a limited number of serious attempts at operational testing, it is possible to present the major distinctions of a representative sampling of these studies in tabular form.

All of the studies that deal with selected regional samples (either Latin America, Africa or both) are implicitly treating dependency as a dichotomous concept. While there are many specific methodological criticisms to be made of these works (particularly of atheoretic factor analysis as a substitute for conceptualizing dependency), the major one in this instance is that in examining only countries that have been predefined as dependent, there is no real comparison possible. While one may discuss the differences between African countries on a variety of economic performance measures, the common degree of dependence among them is surely so great that one can say very little about the impact of dependency *per se*. It is, after all, the impact of varying degrees of dependence that is of interest in these studies, yet the research design precludes its examination.

The limited number of cross-national studies that include OECD countries [Delacroix, (1977), Walleri (1978) and Rubinson (1976)] are methodologically much

more sophisticated but tend to rely on more limited conceptualizations of both dependence and development. MacGown and Smith (1978) noted the paucity of references in all these works to the writings of dependency theorists or the revisionists who suggest that the concept must be treated as a continuous variable. The sociologists are moving in this direction with their concept of the "world system", the paper by Ragin and Delacroix (1977) is particularly promising in terms of sample size and consideration of alternative hypotheses although the indicators of dependency are limited.

The most promising approach is that of Duvall and Russett (1976 see also Duvall, 1978). They propose a longitudinal, large sample study that treats dependency as a continuous variable and as a relationship within the international economy, a formulation not dissimilar to my own.

"...it is a certain form of relationship in the context of which other phenomena such as economic expansion and development, which are variable properties, are important and are the subjects of study" (Duvall, 1978 :54).

A final and significant theoretical advance has been made by Altschuler (1976) in separating dependence into two related concepts which he calls (a) "position in the structure of international relations" (which is a feudal one) and (b) position "in the international division of Labour," both of which are distinct from the level of development (which he calls the structure of international stratification). The first concept is further defined as the intensity, direction and asymmetry of the exchange of goods and values between countries and is represented by a continuum, with the most dependent at one end and the centre or metropole at the other. The second concept is measured by Galtung's index of vertical trade which places the exporter of raw materials at one end and the exporter of finished manufactured goods at the other (although Bath and James, 1976 : 26-27 argue against using commodity terms of trade as a measure of dependency).

Despite advances in conceptualization and measurement, these studies have resulted in findings that are

"ambiguous and contradictory with regard to the potency of the dependency concept in explaining underdevelopment" (Walleri, 1978 : 94).

TABLE 1
Dependency: Previous Empirical Conceptualizations and Operationalizations

	<i>Dependency Conceptualization</i>	<i>Indicators</i>	<i>Development</i>	<i>Sample</i>
Stallings 1972	A country which does not have control over decisions affecting its economy (concentration of this external control is the most important aspect) dichotomous concept	aid from major donor; private investment from major source; exports, 3 leading commodities; export to major partner concentration of foreign personnel	economic equality economic performance	Latin America & Africa
Taylor & Wogart 1973	dichotomous	trade dependency; commodity concentration; export partner concentration	income equality	39 LDS's
Kaufman, et. al. 1975	same as Stallings but with implication of dichotomous variable	trade dependency; capital dependency; (but factor analysis does not indicate a clearly defined separation)	social stratification, marginalization, economic performance, political stability, militarism political participation	17 Latin American countries
Chase-Dunn 1975	dichotomous	Investment dependency; debt dependency	economic development & inequality	24-46 poor nations

TABLE I (Contd...)

MacGowan 1976	same as Stallings	23 indicators of economic performance	30 Black African countries
MacGowan & Smith 1978	economic power dependency; economic market dependency		
Rubinson 1976	continuous	state strength; direct foreign control, reliance on external resources (markets)	47 (12 OECD and 35 LDC's)
Szymanski 1976	not clear	investment dependence; aid dependence	19 Latin American countries
Alschuler 1976	position in structure of international relations (feudal) (continuous); international division of labour (implicit) dichotomous	trade commodity concentration; trade partner concentration; capital penetration; Galtung's index of vertical trade	18 Latin American countries
Vengroff 1975 & 1977		trade with exmetropole; econ. aid p.c. from metropole # metropole MNCs in country	27 Latin American countries 32 African countries
Ragin & Delacroix 1977	continuous	intensity of trade investment; primary product dependence; commodity concentration	GND / per capita 101 countries

TABLE I (Contd....)

Tindigarukayo 1978	dichotomous (implicit)	direct capital penetration	32 African countries
Walleri 1978	continuous (implicit)	trade dependence	development performance (GNP per capita) 88 Third World & OECD countries
Rchardson & Kegley 1980	export dependence is dichotomized	export (to USA) dependence (as per cent of GNP) index	(voting agreement with USA on Cold War issues) 25 mainly Latin American plus Canada and Iceland
Mahler 1981	(apparently) dichotomous	stock of F.P.I. in mining, manufacturing, agriculture	income inequality rate of unemployment "absolute poor" social welfare index extent social insurance programs; education enrollment direct taxes as per gov't revenue (controlled by GNP p.c.) 31-68 Third World countries
Jackman 1982	continuous	level per change in domestic investment level & change in foreign investment population, 1960 change in crude death rate 1960-77	annual growth rate p.c.GNP 1960-78 66 Third World countries (98 Third World & Industrial West for part of analysis)

Walleri suggests two important factors that may explain the problems of empirical evaluation to date : (1) whether these studies have actually been testing dependency theory, and (2) whether the research objectives (largely to explain differences among dependent countries) are relevant (Walleri, 1978 : 95). I have already touched on the second factor by the first, Walleri refers to the heavy usage of "trade dependency" to stand in for the much more complex notion of dependency put forward by the authors noted in the first section of this paper. I may clarify the discussion if I now turn to my own conceptualization of dependency.

A Reformulation of Dependency

By dependency we mean the participation of a nation in the international market economy in such a way that major economic decisions affecting its future are beyond its control. Since I do not feel that one can evaluate the effects of dependence unless one also considers the various performance dimensions of non-dependent nations as well, I will consider all polities (including socialist nations) for which adequate data are available. The concept of involvement in the international market system is thus a continuum, of which dependence is only one segment. The involvement has a number of components, each of which will be discussed and operationalized separately.

After examining the dependency literature, it would appear that *the* most important characteristic of dependent countries, which comes close to defining them in this literature and from which all else follows (leaving aside the question of how this condition arose in the first place), is the composition of their trade. By this I mean what Galtung rather obscurely calls the "index of vertical trade". As noted above, this simply means the ration of raw materials to manufactured goods in total trade. Simple though this may seem, it is nonetheless the aspect of involvement in the (capitalist) world economy that is predicted to lead to the continuing underdevelopment of dependent countries, leaves them vulnerable to rapid and wide fluctuations in the price of these exports that are beyond their control, permits "exploitation" through unequal exchange, and (perhaps) leaves them open to foreign capital penetration and control.

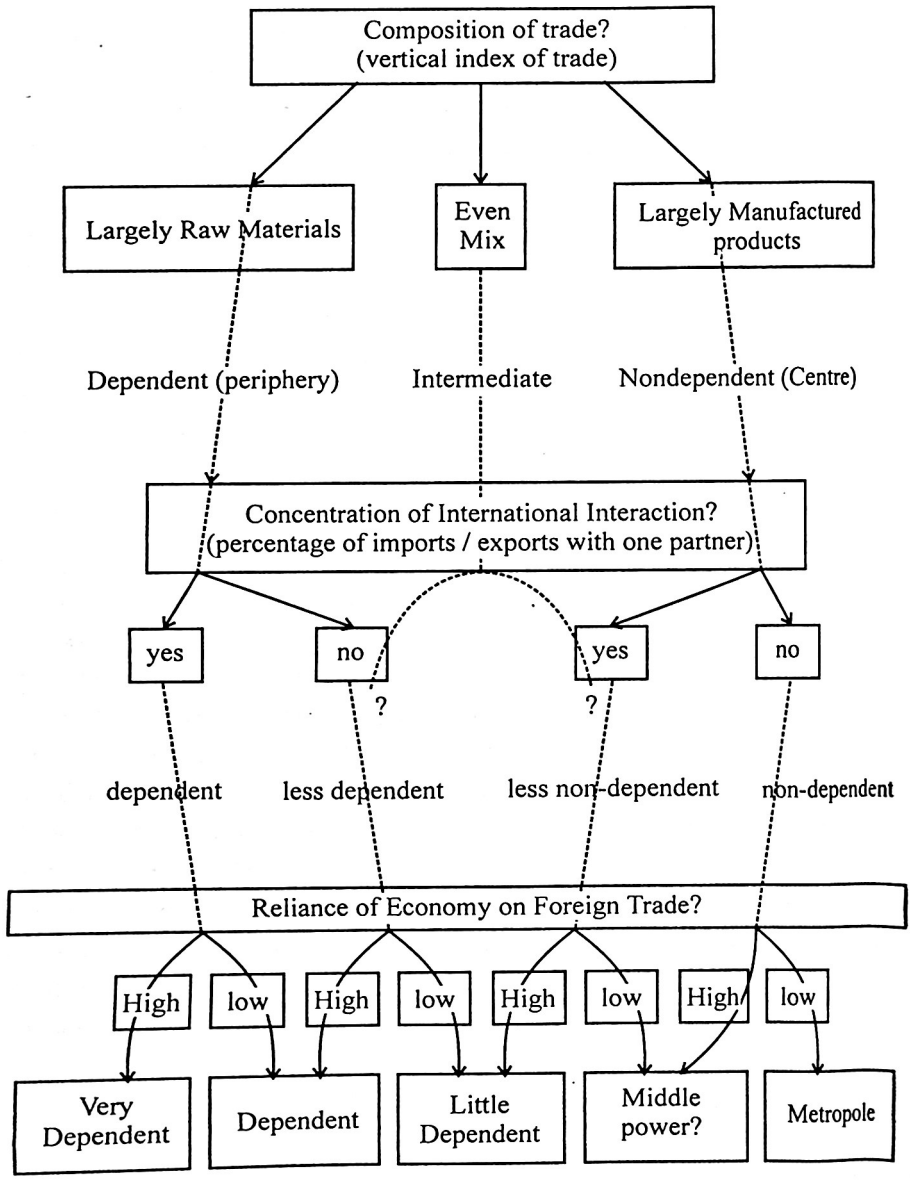
A second important aspect of dependency or non-dependency that has not received adequate treatment is the degree of reliance of the particular economy upon

its foreign trade involvement. A country whose GNP is heavily dependent upon foreign trade is more vulnerable to outside influence than one with only a small portion of its GNP derivative from foreign trade, regardless of the composition of that trade. Obviously, a country whose economy is wholly dependent upon the export of raw materials or minerals or is in the worst of all possible conditions of vulnerability, but both dimensions must be considered if the picture is to approximate reality.

Finally, a country may be more or less "penetrated." By this (hereafter referred to as concentration of dependency) I mean the degree to which trade, both imports and exports, is concentrated with one external partner. Most empirical treatments of dependency tend to "mix" this in with the other two dimensions I have identified. It seems to us essential to consider concentration of dependency separately if one is to evaluate Oaltung's extensive propositions regarding centre-periphery relations. His often reproduced representation of a "feudal interaction structure" requires that this dimension be considered independently of the other two.

The dependency literature emphasizes not only these latter two aspects of trade involvement, reliance and concentration, but similar aspects of foreign aid and investment. The reliance of a country for domestic capital formation upon foreign sources is not only seen as an indication of internal poverty but as measuring the extent to which decisions regarding the amount and direction of investment are externally controlled. The concentration of this external financial control is defined in the literature as of comparable importance to the concentration of trading relationships. While foreign aid diminished in importance in the late 1970's, it, too, has been defined in the dependency literature as an indicator of lack of control over one's own economy. The reverse of these investment dimensions, a position of dominance in the aid or investment flows to a specific country, is specified in the dependency literature as the mark of an "imperialist" or centre country. As with the three aspects of trade involvement in the international economy, these four dimensions of aid and investment interaction must be measured on separate continua for all nations for which data are available.

A seven dimensional figure would be the ideal representation of my conceptualization of involvement in the international market and financial system but is beyond my collective artistic capabilities. Instead, I have chosen to take only



the three continua of trade involvement, representing them as the 'choice points' of a computer program and suggest, in a very simplistic fashion, the various sorts of combinations possible at the extremes of each of the continua. While the resulting representation has some of the characteristics of the dichotomous conceptualizations of dependency that we have criticized above, the inclusion of a tentative center point on the trade composition indicates the complexity that will result from computer analysis. Not only will there be a multitude of possible combinations of the various points on the three continua of trade involvement, it is by no means clear from the previous empirical analyses which of the three is the more important (despite dependencia's preference for trade composition) and hence the order of choice points is as yet tentative.

The investment and aid continua must also be envisioned as incorporated into Figure 1 in order to visualize my conceptualization in its totality. While this is far more complex than previous conceptualizations, it is the only way that the various components of dependency may be evaluated for theoretical and explanatory import separately and collectively. If dependency (as a to-be-designated segment of the complete continuum of involvement in the international market system) is an independent variable with important explanatory power, not only must it be conceptualized and operationalized carefully, the dependent variables must be as carefully specified. We have noted the tendency of dependencia theorists to confuse cause and effect in their analyses.¹³ While the empirical evaluations have avoided this error, the variety of indicators listed under "development" in Table 1 suggests a lack of agreement on just what it is that dependency is supposed to have an effect upon. Reliance upon GNP per capita to measure development does not begin to tap the theoretical richness in the writings of Amin, dos Santos, Frank and others, however implicit rather than explicit their hypotheses may be.

The Effects of Dependency

If in fact a dependent country is one whose role in the international economic system is such that control over economic decisions affecting its economy are (largely) made externally, this does not necessarily predict to any specific level of economic activity within that country. It is not only logically possible for a dependent country

to be highly developed economically, it is empirically, the case for a country such as Canada. Lall's categorization of Belgium and Canada as "presumably not in the category of dependent countries" (1975: 803) reveals a confusion of the concepts of dependency and development. Portes' argument that countries like Canada are "profoundly dependent" because of the penetration of their economies by foreign owned subsidiaries (1976: 78) is closer to our understanding of the Canadian situation. It is for this reason as well that our sample will include all countries for which adequate data are available.

It may be appropriate at this point to indicate why we feel the inclusion of socialist countries is also essential for comprehensive analysis. One of the first critiques of dependency theory (Ray, 1973) took issue with the exclusion of these countries. While some studies doubtless exclude the countries of Eastern Europe because of data unavailability or non comparability, others have done so on more ideological grounds—an assumption that socialistic countries could not behave in an "imperialistic" fashion. Gilbert, for example, argued that even if the within-bloc economic relations pointed to dependency, it could not be exploitative (1974 : 118) because it relied upon a clientelistic caste, rather than an economic class, for political domination. While there are a few studies examining the economic relations of the Eastern European countries with the Soviet Union (Gantzel, 1973, Marer, 1974) using a quasi-dependency model,¹⁴ none have been comparative with countries outside the area. A more cogent reason for including them in the sample is their rise in the post-war period to the status of a new centre with a significant share of world output and trade.¹⁵ Wallerstein (1974) would characterize the socialist (or "centrally planned") economies as fully participant in this international capitalist system and hence as capable of being in the centre or the periphery as any other states.

It has so far apparently been impossible to define one unvarying internal economic condition which all dependent nations share equally. The closest that dependency theorists would come is that there are internal projections of international 'relationships (i.e., the exploitation of local peripheries by local centres) but since these can take many forms, this is of little assistance in defining the dependent variables for analysis. Because there has been a concentration on the penetration of external institutions, there has been a "neglect of [the] analysis of internal dynamics" (Portes, 1976 : 78;

Dixon and Boswell, 1996). Nonetheless, there is agreement that relations of dependence do exist and that the differences between specific dependent nations are reflective of the degree of dependence. There are certain internal economic, social and political characteristics of Latin American nations that are projected as dependent. As an inspection of the hypotheses listed later will reveal, it is by no means clear that this is in fact the case.

Dependencia theorists are generally agreed that internal dependent class structures are dominated by a small economic elite closely tied to foreign economic interests who may or may not be physically present in the country. Only one or two areas of export production become well developed and whilst this is generally an artifact of the colonial past it is continued by present elites because of the advantages it continues to provide to them.¹⁶ The economic surplus generated is diverted either overseas through exported profits (including the devices available to multinational corporations such as transfer prices) or internally into conspicuous consumption by local economic elites and a small "labour aristocracy" with limited amounts being invested in capital intensive technologies or import substitution. Export production is either in extractive industries or raw commodity production, with few backward or forward linkages with the local economy. Consequently there are few incentives to exploit surplus productive capacity, (land and labour) or to raise levels of domestic absorption of whatever surplus is produced. The local economic elite, in fact, is seen as acting to suppress or limit the development of national groups who attempt to develop indigenous manufacturing and industrial production. In any event, differentiation and integration of the dependent economy is retarded with a consequent minimal growth of peasant incomes and little expansion of the internal market.

Import substitution industries similarly benefit only limited segments of the population and generate little economic expansion (see Seidman, for a discussion of the Zambian case that also examines the negative effect on foreign trade that such industries create). Foreign investment and external borrowing, both result in the transfer of capital from the dependent country to the centre and this should be reflected in negative capital flows.

Locally, wages are kept low in the primary producer sector both by determination of commodity prices in foreign capital centres¹⁷ and by the high (imported) technology/

capital intensive industry which demands little labour, particularly unskilled labour. Labour employed in the export enclaves or import-substitution industries (generally referred to as the "labour aristocracy") receives high wages in comparison to the rest of the population. Because of the generally low proportion of the population engaged in wage employment, unionization is weak and the bargaining power of unions low. Income distributions are predicted to be highly unequal and elite consumption patterns strongly influenced by metropole fashions. The resulting economic expansion, if any, is characterized as :

'perverse growth'; that is growth which undermines, rather than enhances, the potentialities of the economy for long term growth" (Arrighi and Saul, 1968: 150).

Not only does little of this benefit the majority of the population in any material sense, it is predicted to have deleterious effects on political development.¹⁸ Political institutions are seen as ineffective and consequently ill-developed to the point of being caricatures, largely due to a lack of interpersonal trust. Governments are seen as prone both to repressive policies and to unconstitutional overthrow. Hence both instability and militarism are predicted to result from dependency. Because clientelistic linkages cut across economic class lines, the development of class consciousness is retarded and politics remains unrelated to reality.

A number of international political effects have similarly been postulated to follow from dependency : subservience to centre wishes in foreign policy are reinforced by military and diplomatic alliances. Subversion of non-cooperative dependent governments is also predicted, as is manipulation of foreign aid to suit metropole purposes.

Finally, cultural, legal and educational domination is reflected in the duplication of centre institutions and processes at the dependent periphery generally as a result of the "symbiotic" (Lall, 1975: 801) relationship between elites.

While recognizing that conceptual, operational and methodological problems exist with all of the studies reported in Table 1, we have nonetheless extracted their major findings to illustrate the diversity and inconclusiveness of the present state of both dependency theory and empirical evaluations of it. These are presented in Table 2.

TABLE 2

Dependency Theory: Derivative Hypotheses and tentative empirical testings

1. Economic Hypotheses, Dependency

I. The greater the general economic dependency, the more underdeveloped the country will be

not supported: MacCowan, Stallings, Vengroff, (1975)

little association : Tindegarukayo

1 (a) The greater the dependence, the more unfavourable the balance of trade
supported: Kaufman, et al.

1 (b) The greater the extent of trade dependence, the more underdeveloped
supported : Walleri
weak support : Chase-Dunn

I (c) The greater the absolute level of foreign capital dependency, the more under developed
supported: Chase-Dunn
contradictory findings : Mahler (for levels of social welfare)
contradicted: Ragin and Delacroix (very poor countries only)
no consistent effect : Jackman

1 (d) The greater the rate of growth of foreign investment, the more underdeveloped
contradicted: Jackman (for richer Third World countries)

1 (e) The greater the extent of debt dependency, the more underdeveloped
supported: Chase-Dunn

1 (f) The greater the dependence, the lower the rate of economic growth
contradicted. Kaufman, et at., Tindegarukayo

- 1 (g) The greater the dependence, the more unstable and fluctuating the economic growth pattern
supported: Kaufman, et al.
2. The more concentrated the dependency, the more underdeveloped a country will be
contradicted: Stallings
 - 2 (a) The more concentrated the export dependence, the more underdeveloped not supported: Ragin and Delacroix
negated or weak support: MacGown
 - 2 (b) The more concentrated the trade dependency, the more underdeveloped
contradicted: MacGowan
 - 2 (c) The greater the reliance on the export of raw materials, the more underdeveloped
supported: Gattung (1971)
some support : Walteri
 - 2 (d) The greater the concentration of debt dependence, the more underdeveloped
not supported: MacGowan

II. Income Inequality Hypotheses

- I. The greater the economic dependence, the more unequally income will be distributed
supported : Stallings, Vengroff (1977), Tindergarukayo, Rubinson, Taylor, and Wogart
weak support: Chase-Dunn
 - 1 (a) The greater the direct foreign control over production, the more unequal the distribution of income
supported: Rubinson, Mahler

- 1 (b) The greater the reliance of GNP upon trade, the more unequal income distribution
supported: Rubsion
2. The greater the economic dependence, the more unequal land tenure structures will be
contradicted: Kaufman, et al. (for all regions but supported sub-regionally)
3. The greater the economic dependence, the more unequal sectoral income distribution will be
supported: Walleri
4. The higher the level of economic development (within the Third World), the higher the level of economic inequality
supported: Vengroff (1977)
weak support: Kaufman, et al.
contradicted: Rubinson

III. Political Hypotheses

1. The higher the level of dependency, the lower the level of political development
 - 1 (a) The higher the level of dependency the lower the level of constitutional stability
contradicted: Kaufman, et al.
 - 1 (b) The higher the level of dependency the higher the level of militarism
contradicted: Kaufman, et al.
 - 1 (c) The higher the level of dependency the lower the level of voter turnout
not supported: Kaufman, et al
 - 1 (d) The higher the level of dependency the lower the level of unionization
not supported: Kaufman, et al.
2. Differences in levels of dependence will lead to significant policy differences.
partial support : Vengroff

3. The greater the strength of the State, the more equal the income distribution
mixed support: Rubinson
4. The greater the domestic inequality, the higher the levels of communal instability
mild support. Tindegarkayo

IV. International Political Hypotheses

- I. The greater the American economic interest, the greater the extent of U.S. military interventions
supported: Odell (for between region comparisons but not within regions)
2. Those with greater export dependence on the U.S. will be more likely to evidence U.N. voting agreement on War issues with the U.S. than other states.
supported: Richardson and Kegley

Conclusions

It is obvious that dependency theory has generated a wealth of hypotheses concerning many relevant aspects of the internal processes of countries defined as dependent. By inference, the opposite conditions should hold for countries whose positions in the international market system are those of a centre or metropole with a range of intermediate conditions prevailing for nations between these extremes. Yet the empirical support is mixed, to say the least. Truncated samples undoubtedly explain a good deal of the present indeterminacy, as do incomplete or fuzzy conceptualizations. If dependency theory is to have a proper testing, both shortcomings must be remedied. I have proposed here a reconceptualization of dependency that should permit an adequate evaluation of its insights. To the extent that dependency does explain internal economic and other conditions and processes, our understanding will have been advanced. To the extent that it may not explain these conditions and processes, we will be encouraged to seek alternative explanations.¹⁹ Some of these may emerge from the clustering of various countries on the dimensions of the measures of dependency as well as of the dependent variables.

Notes

1. The seminal work is that of Raul Prebisch but his 1949 work was not translated and published until 1962. See O'Brien (1973) for a more extensive analysis of this period of re-evaluation.
2. Frank is also responsible for the phrase, 'the development of underdevelopment' to describe the continuation of the process just outlined.
3. Which is not to say that dependency theorists are indifferent to what Fanon called "the dependency complex of colonized peoples" (1967 : 83-108); the work of Memmi (1965), Lewis (1964) and Gonazalez Casanova (1970) also deals with attitudes.
4. An interesting article by Apter (1970) that attempts to assess the continuing relevance of Karl Marx reveals rather clearly many of the shortcomings of conventional development theory in the process.
5. Although he was concerned mainly to deal with the theoretical repetition and stagnation he discerned in dependency theory, Cohn Leys (1977: 94-95) saw the source of both tendencies in its origins as a critique of bourgeois development theory. He characterized the latter as a "particularly stultifying form of abstracted empiricism and, 'grand theory'" (94-95).
6. For an explication of this concept see Stavenhagen (1973). The assumption that the traditional subsistence sector does not interact with the modern (enclave) sector was first criticized by André Gunder Frank with regard to Latin America. It is not yet clear how extensively his argument applies to Africa.
7. The writings of Fran (1969), dos Santos (1971), Aguihar Monteverde (1975) and Fernandez and Ocampo (1974) are good examples of dependentistas advocating socialist revolution as the answer. See also Hartmut Ehsenhans (1975) for an example of a European social scientist whose prescription for overcoming under development is an agrarian revolution. Leys' criticism is more specific: that dependencia theorists remain within structuralist analysis and do not "disclose the potential class forces on which a revolutionary struggle can be based, or the contradictions which conditions and are developed by the struggle, or a strategy or organizational forms of struggle" (1977: 98), See also Friedmann and Wayne (1977).
8. The term imperialism is sometimes used by both left (Magdoff, 1969) and right (Duvall and Russett, 1976) as synonymous with dependency although the notion of over motivation implicit in "imperialism" is not necessary to either the left or right conception of dependency. Since to me the term implies political control or manipulation, which remains extremely difficult to operationalize, we prefer not to use it.
9. Chilcote (1974: 9) notes that an earlier survey had found as many conceptions of dependency as there are authors, See Fernandez and Ocampo (1973) for the sort of internal debate that can arise over proper interpretation of Marx and/or Lenin. The entire first issue of *Latin American Perspectives* is devoted to the debate on this and related matters. A typology of 'schools' of dependencia theory may be found in Bath and James(1976: 5-11).

10. An extreme statement of this position is Lall, "the concept... is impossible to define and cannot be shown to be causally related to a continuance of underdevelopment" (1975: 805). This point was apparently first made by Booth (1975). A variant of the criticism's that proponents behave like "true believers" rather than social scientists.
11. Leys (1977 : 95) points out that the simplistic dichotomies (center/periphery, dominant/dependent, etc.) of dependency are polemic inversions of those of traditional development theory (traditional/modern and the like).
12. One of Ray's (1973) discovered fallacies, that dependency theorists work with a biased sample of cases, is to some extent an artifact of this broader problem. While he is referring specifically to the exclusion of socialist states, the argument could be applied with equal force to the exclusion of such states as Canada, Australia, Greece, etc. from the category of dependent because they are not underdeveloped. Both 'exclusions' stem from a confusion of dependence with underdevelopment.
13. The Stallings monograph, while much quoted, upon inspection fails to reveal a serious attempt to develop testable hypotheses and is largely descriptive.
14. Marer (1964), for example, defines economic imperialist as political domination for the purpose of economic extraction although in the course of his analysis he stands this definition on its Hegelian head in identifying the objective of the Soviet Union as maintaining economic dependence for reason of political cohesion, often at some cost the dominant power.
15. See Pinto and Knakal (1975-64ff) for a discussion and data on this change as well as the changing relative position of such "classic" centre nations as the United States via-via Western Europe and Japan.
16. For a more complete discussion of these processes see any of the dependency theorists cited in the first Section of this paper but particularly Arrighi and Saul (1968) and André Gunder Frank.
17. Galutng (1971 : 88) would add the pessimistic footnote that this asymmetry between centre and periphery cannot be redressed through the stabilization or increase of the prices of raw materials.
18. Bruce Berman (1974) discusses the political impact of dependency as resulting from patron-client structures analogous to those at the international level. Since these linkages are not as well established as those in the economic sector, I will not detail the underlying argument.
19. The policy implications alone of a comprehensive analysis are important, although my major concern is with theoretical concerns. Leys and others have pointed to major deficiency of dependency theory as its inability to tell dependent and/or underdeveloped countries what to do about their situation. "Diversity of dependence" as a common prescription but one made without empirical foundation.

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