The Rise and Fall of the Dependency Movement: Does It Inform Underdevelopment Today?

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While dependency theory as a conscious, explicit approach to development can be considered a thing of the past, its legacy is very much with us. The impact that dependency ideas held in Latin American centers of academia was pervasive, while also gaining many adherents in Europe and the United States. Perhaps more importantly, this impact went beyond scholarly circles. As Falcoff (1980, 797) observed, "dependency explanations...are no longer confined to academic sanctuaries; they are now the common currency of a growing body of generals bishops, editors, chiefs of state, even Latin American businessmen." What gave the dependency perspective particular allure is that, unlike other previous paradigms, it was held to be a distinctively Latin American analysis of Latin American development. Its legacy can be discerned from the pronouncements of Latin American scholars, policymakers and politicians who choose to put the emphasis on the structural conditions of the world economy that work against the prospects of the region's economies. Understanding the dependency movement is important, not least because it is a consequential episode in the history of social thought in Latin America. It also marks one of those rare instances in which ideas produced in the Third World come to influence the thinking of scholars in the developed world. Indeed, the supply of underdevelopment theory (principally structuralism and dependency) has been regarded as "Latin America's major contribution to the social sciences."

Dependency theory was betrayed by the very formulation of its name, for it is not a theory, properly speaking, but can more accurately be conceived of as

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an *approach* to the study of underdevelopment.[1] (In fact, Cardoso and other *dependentistas* objected to the term 'theory' to describe it.) It is an overarching framework within which one might formulate specific hypotheses/theories, a 'methodology for the analysis of concrete situations of dependency.' It did not predict determinate, discrete outcomes. Rather, it sought to provide a new perspective from which to examine the *problematique* of economic backwardness.[2] Moreover, one cannot speak of 'a theory' of dependency, since various variants of the approach can be discerned. A very rough distinction has been made between 'moderate' and 'radical' dependency writers, but more than subtle differences characterize the various authors within each camp.

Given the many interpretations given to dependency, how can one capture the concept of dependency in a concise manner? One of the movement's leading exponents, Brazilian Theotonio Dos Santos, defines it as "a historical condition that shapes a certain structure of the world economy such that it favors some countries to the detriment of others, and limits the development possibilities of the subordinate economies" (1973, 109). Whereas liberals (mainstream economists) define underdevelopment as a *condition* in which countries find themselves in, *dependentistas* see it as a *process* in which less developed nations are trapped because of the relationship between the developed and underdeveloped countries (or, in their lexicon, the "center" and the "periphery") in the world economy. That is, the same system that creates wealth for some nations generates poverty for most others. Development and underdevelopment are two sides of the same coin. The implications of both analyses are clear. While for liberals underdevelopment is a condition or situation from which countries can escape through a set of virtuous economic policies, dependency writers see no such possibility. Andre Gunder Frank famously labeled the process under which Latin American and other nations were embedded as "the development of underdevelopment." Other more moderate variants of dependency saw the possibility of "dependent development."

Perhaps due to its eclectic origins, the term "dependency" has been subjected to a multitude of approaches and interpretations. What is particularly problematic to its understanding is that scholars have used those particular aspects they considered more relevant, without making their understanding of dependency theses explicit. As various observers have pointed out, most definitions of dependency are of the "Humpty-Dumpty" type—that is, "meaning what I say it means." Moreover, these scholars assumed that when others have written about dependency, their concepts also mean "what I say they mean" (Acevedo 1984). As a matter of fact, miscommunication all too often gave rise to futile intellectual exchanges between *dependentistas* and non-*dependentistas* in many academic and non-academic venues.

Perhaps in part due to the sheer ambiguity and multiple interpretations of its message, the movement did not command serious attention in the 'North'. But the question deserves more thorough consideration: what factors explain the relative lack of attention dependency received in mainstream North American academic circles? A useful starting point is to note that there has been (and there still exists) a certain degree of parochialism on the part of the Anglo-Saxon community of scholars. In a laudable instance of self-assessment, one Northern academic notes the following:

> The referencing of our professional papers reveals that not many of us even glance at journals and books published overseas... few economists of 'the North' could even today give an authoritative assessment of the work of Raul Prebisch, say, nor are our sociologists and political scientists much better informed about their counterparts in Brazil or Mexico. It is hard to resist the conclusion that most of us just do not care, assuming tacitly that nothing of intellectual significance is produced in the backward continents... (Seers 1981, 13).

Predictably enough, this parochialism had unfortunate consequences. Because by and large only dependency literature translated to English was read by scholars in the 'center,' there emerged flawed, prejudiced, or incomplete interpretations of dependency's ideas. This partial consumption of works produced in the periphery meant that a lot of country-specific material focusing on the domestic structure of dependence was not read. It is not surprising, then, that critics of *dependencia* were often entirely off the mark. For instance, many northern academics erroneously interpreted dependency as a theory centered exclusively on external reliance. "[Dependency] deprives local histories of their integrity and specificity, thereby making local actors little more than the pawn of outside forces (Smith 1979)," writes American scholar Tony Smith in the prestigious journal *World Politics*. Many other examples could be brought to bear.

One does not have to look far to find the continuing influence of dependency ideas in Latin America and among Latin Americanists. Consider one of the main standard undergraduate textbooks for the study of the region, *Modern Latin America*, by Peter Smith and Thomas Skidmore. Among the ideas that students reading this text can encounter, we find the following:

> political outcomes in Latin America derive largely from the social class structure... the class structure derives largely from each

> country's position in the world economy... a comparative perspective on these phenomena can help elucidate the variations and the regularities in Latin American society and politics (Skidmore and Smith, 9-12).

In truth, class cleavages are not always predominant in Latin America, and a country's class structure derives from a more complex set of factors than its "position in the world economy." Clearly, some Latin Americanists have still not escaped from dependency tenets, even in an age when it is a thoroughly discredited outlook on underdevelopment. Its view of North-South relations remains deeply ingrained in more than a few minds, especially within Latin American scholarly circles. This is the most obvious manifestation that the legacy of the movement is still with us. It is therefore important to understand where the dependency movement comes from, what it says, and the ways in which it may be inconsistent or outright flawed.

The Intellectual Flaws of Dependency

Perhaps the most glaring weakness of dependency was its lack of empirical grounding. If one accepts Karl Popper's famous dictum that in order for a theory to be scientific it must be testable and falsifiable, dependency theory can be said to be patently unscientific. While many social scientists attempted to operationalize and put dependency assertions to the test, this trend met with strong dissent from leading dependency figures. They countered that the very basic characteristic of dependency studies was the emphasis on global analysis and that a structural or global interpretation could not be subjected to simple empirical evaluation (Cardoso and Faletto, xii). The school's propositions, they contended, could not be easily cast in mathematical nomenclature because the theory is "in large part about hierarchies, institutions and attitudes." This objection has been defended by some scholars who are not themselves *dependentistas* (Valenzuela and Valenzuela 1978). Yet, because of the movement's pretension to stand beyond questions of definition and evidence, the dependency movement was not able to avoid charges of "intellectual arrogance." (To be sure, that is an accusation that could easily be thrust upon many individual dependency academics themselves, and also upon many of their critics. The debate between the opposing camps, *dependentistas* versus non-*dependentistas*, exhibited anything but moderation in discourse and rhetoric.)

Whatever appeal and magnetism the theory may have had, for many social scientists the methodological faults of the approach were too obvious to ignore. Moreover, the tautological elements found in dependency writings further damaged the reception of dependency ideas in the developed world.

Dependentistas did not show how the "actual mechanisms of dependency worked," so that the parts became lost in the totality:

> Everything is connected with everything else, but how and why often remains obscure... One looks in vain through the theories of dependency for essential characteristics of dependency. Instead, one is given a circular argument: dependent countries are those which lack the capacity for autonomous growth and they lack this because their structures are dependent ones (O'Brien, 14).

Another tautology which some dependency writers incurred in was to include in the definition of development the concept of economic autonomy. If one asserts that the position of less developed nations is structurally dependent and that first world status necessarily entails economic autonomy, then economic prosperity is unattainable by definition. Needless to say, circular argumentation runs counter to the basics of scholarly inquiry.

As it has happened with many other theories, its deterministic elements did much to undermine dependency. In particular, it has been said that the movement suffered from "double determinism." (Stalinad 1985). One concerns its views on the relationship between economics and politics. It holds, in Marxist fashion, that the political system is shaped by its economic base. Secondly, it holds that the nature of a country's links to the international system decisively shapes its domestic politics, an idea at the heart of nationalism. Indeed, dependency is a rather uneasy blend of traditional Marxism and economic nationalism. To illustrate the untamed economism that characterized many (though not all) members of the movement, consider the following passage from Andre Gunder Frank (the best-known *dependentista* in the English-speaking world) in his *Capitalism and Underdevelopment in Latin America*: "the domestic economic, political and social structure of Chile always was and still remains determined first and foremost by the fact and specific nature of its participation in the world capitalist system" (1967, 29). It is not surprising that many objected to the deterministic quality of this and similar assertions. Determinism also burdens dependency with what Stephan Haggard has called the 'structuralist paradox'. "The model was outlined to help identify the international constraints associated with certain development paths in order to overcome them." However, dependency does not allow for the possibility that particular state strategies may act to reduce those international constraints. Indeed, behavior disappears. "Countries are called 'dependent' by virtue of their characteristics and remain so regardless of their actions," rightly notes Haggard (1990, 21-22).

Furthermore, the scholarly pretensions of the dependency movement were undermined by what many have interpreted as an underlying, barely concealed, political agenda (Pakenham 1992; Gilpin 1987). This criticism stems from the normative conception that politics and academia are fields best kept in separate domains. As Princeton's Robert Gilpin has observed,

> the conceptions of development and underdevelopment held by dependency theorists are as much political and social concepts as they are economic; these theorists desire not merely the economic growth of the economy, but also the transformation and development of the society in a particular social and political direction (1987, 287).

That desired social and political direction, of course, was that of a socialist state, "an independent, equitable, and industrialized nation-state." James Carporaso also echoes Gilpin: "while others see their theories as intellectual constructions which attempt to change reality, dependency theorists attempt to use their ideas to change reality (1980, 613).[3] However, to be fair, not all *dependendistas* drew particular policy implications or solutions from their analyses.

Finally, the rather esoteric style of many dependency writings did not help their cause either. One scholar, assessing Cardoso and Faletto's *Dependency and Development*, decries the authors' "ornately Hegelian style" which is held to be partly responsible for the "confusing and even contradictory" message of dependency theory (Staniland, 134). Says another academic: "In a literature so fraught with ambiguity, inconsistency and vagueness, it is difficult to say with assurance precisely what is meant by 'dependency'" (Baldwin, 495). Similar criticisms are echoed by many other scholars. Even Fernando H. Cardoso himself admitted that "if there have been so many distortions in the consumption [of dependency theory], it is because the original production was not clear regarding several points" (1977, 17).

In sum, dependency has been subjected to a barrage of criticism on theoretical, empirical, methodological, and stylistic grounds. To their credit, "dependentistas had the vision and audacity to think big and to aim to create a new paradigm." The task at hand, however, may have been doomed from the start for "the interdisciplinary, historical, total and multiple character of dependency analysis makes the creation of such a paradigm an almost impossible task" (Kay 1989, 195-96).

The Origins and Evolution of Dependency Theory

Dependency theory is very much a product of a particular place and historical period. With political independence largely secured after the Second World War, Latin American intellectuals became keenly cognizant of their continent's underdevelopment or *subdesarrollo*.[4]

Argentine economist Raúl Prebisch, because of his contributions both as an academic and practitioner, can rightly be pointed to as the leader of the *desarrollista* or structuralist school and a forerunner of the dependency school. The structuralist or Prebisch-Singer thesis held sacred a number of tenets that ran counter to the orthodox, neo-classical economic *pensée* of the time. Chief among the arguments accounting for Latin American underdevelopment was the 'excessive' reliance on exports of primary commodities, which were the object of fluctuating prices in the short term and a downward trend in relative value in the long haul. Studies by Hans Singer documented a secular deterioration in the terms of trade of Latin American countries, whereas Prebisch can be credited for explaining the factors underlying this downward trend. If the Singer-Prebisch analysis was right, participation in the world trade regime was a losing proposition for many developing countries.

It is difficult to overstate the extent to which this doctrine of 'unequal exchange' sowed doubt among many Latin American social scientists about the beneficial assumptions of the classic theory of international trade, thus pushing them to the dependency camp. So called 'trade pessimism' became widespread. In his status as head of the UN's Economic Commission of Latin America (ECLA), Prebisch's ideas came to have far-reaching political influence and profound policy implications. As a result of the influence of structuralist thought, most Latin American countries adopted strategies nominally conducive to autonomous, self-sustaining development. In essence, they sought to diversify exports and accelerate industrialization through import substitution. High tariff walls were to be erected that would reduce the region's dependence on foreign manufactures, and thus on the developed North. But this model of development soon ran into problems. Most worrying of all, it exacerbated balance of payments difficulties in many countries.

The expectations and predictions that structuralists had for the import substitution model did not ensue: real wages were not rising fast enough to increase aggregate demand; problems of unemployment were growing more acute; foreign investment was not having the positive effects expected of it; and industrial production was not having a 'ripple effect' throughout the economy (Palma 1978, 908). These real life developments had an important impact on academic thinking. "The realization that import substitution created new, and possibly more dangerous forms of dependence converted the ECLA structuralists into dependency theorists," writes Dudley Seers (1981, 140). The crisis in the ECLA school of thought produced a movement towards a more structural and historical analysis of Latin America. These analysts—including Osvaldo Sunkel, Fernando Cardoso, Celso Furtado and Theotonio Dos Santos—developed a framework of study that intimately linked internal economic problems to developments in the world economy.

Sociologist Fernando Henrique Cardoso came to represent dependency's most sophisticated interpretation of underdevelopment. The publication of his *Dependency and Development in Latin America* (with Chilean economist Faletto), and Peter Evans' *Dependent Development: The Alliance of Multinational, State and Local Capital in Brazil*, set the foundations of the historical-structural variant of the dependency school. For authors in this tradition, dependency is not a general theory of underdevelopment, but rather a "methodology for the analysis of concrete situations of dependency." Cardoso spearheaded a new wave of *dependentistas* for whom dependency relations could well lead to development —what they termed "associated-dependent development." Dependent development also constituted a reaction against left-wing *dependentistas* and more crude versions of dependency —most notable among them, Andre Gunder Frank— and did not advocate for a socialist revolution as the 'way out' of their present economic plight.[5] The very use of the term *dependency* was utilized to underscore the extent to which the economic and political development of poor countries was conditioned by the global economy, whose center of gravity was located in the developed nations. This variant of the dependency school, however, did not just focus on the asymmetrical relations between countries. It also held that dependency was perpetuated by the ensemble of ties among groups and classes both between and within nations. This is the concept of 'linkage'. In *Dependencia y Desarrollo,* the authors describe it thus:

> We conceive the relationship between external and internal forces as forming a complex whole whose structural links are not based on mere external forms of exploitation and coercion, but are rooted in coincidences of interests between local dominant classes and international ones... (Cardoso and Faletto, xvi).

In fact, this is one of the concepts that most distinguishes the historical-structural version of dependency from previous ones: the identification of interest networks —business, technocrats, the military, the middle-class— that bind the dynamics of local political and economic processes to material and political interests in the industrialized world. This new wave of unorthodox dependency writers saw development as historically open-ended, so that their explanation of underdevelopment was less deterministic than that of Gunder Frank-minded scholars. Cardoso, Evans, Dos Santos and others conceived of various degrees of dependency for different countries, and also allowed for the possibility that the nature of dependent relations could change over time.

The Death of *Dependencia*

Dependency rose to prominence in the 1960s. By the mid-1980s it had been relegated to footnote status in the field of development studies. The reasons for this rapid demise are varied but identifiable. As one scholar has summed up, "the combination of intellectual critiques and reinforcing international trends had a devastating effect on dependency analysis" (Stallings 48, 1992). The consequence is that dependency is rarely even mentioned today. Perhaps the premier factor leading to its demise is that its overall claim reiterating the impossibility of development within the framework of our world capitalist system has suffered a severe correction by the facts of the late twentieth century. The evolution of at least four economies —South Korea, Singapore, Taiwan and Hong Kong— showed two things radically at odds with dependency tenets: first, that attaining economic progress is very much possible; and second, that it is feasible via enhanced integration with the world economy. To be sure, these societies can be considered to have joined the ranks of the developed world in their own right. Furthermore, the late 1990s Asian financial crisis notwithstanding, four other Asian candidates have often been mentioned as examples of countries pursuing rather successful development strategies. These are the so-called Asian pussycats: Philippines, Thailand, Malaysia and Indonesia.

A second identifiable factor in the demise of dependency has to do with the evolution of the economics profession. In their drive to join the ranks of genuine 'scientists', namely their colleagues in the physical sciences, economists have gradually come to emphasize 'rigor' in their research work, so that the mathematical formalization of assertions and hypotheses rapidly became the *sine qua non* of economics. This had obvious consequences for the reception of the dependency theory by mainstream economists, as the dependency perspective was always in the tradition of political economy and not economics proper. Leading *dependentistas* defended their territory by responding that any attempt to quantify and test dependency tenets was misplaced, essentially because dependency dealt with historical processes not amenable to quantification. But this line of defense did not preclude their marginalization by mainstream economists.

The nail in the coffin for the dependency movement, if any was needed, was the fall of socialist/communist regimes. Marxism, in its role as intellectual bedrock of these political entities, has been largely invalidated as a socio-economic paradigm and lost the allure that it might have once enjoyed. Because the experience with 'real socialism' has been proven an unmitigated failure, its Marxist intellectual foundations have been widely regarded as fundamentally flawed as well. Dependency, in its status as an allied theory, suffered much the same fate. In fact, the Marxist label that all too often came attached to *dependentistas* caused them to lose credibility amidst mainstream academic circles from the very early days.

On the terrain of intellectual currents, a consensus among economists began to crystallize in the 1980s about the benefits of trade openness, Foreign Direct Investment and a small state. This emerging consensus acquired significant political clout as soon as the international financial institutions, rather than private banks, commanded most of the available capital to developing countries—after the Mexican debt moratorium declaration in 1982. A powerful intellectual critique laid at the doorstep of *dependentistas* was that a common international economic environment did not explain the different development trajectories and strategies followed by less developed nations. Dependency analysts, these critics contended, had gotten their logic backwards: it was the development strategy of a particular country that determined its need for foreign capital, not the other way around. Domestic forces of development were being underemphasized.

In summary, all these developments taken together led to a calculated ignorance of the movement and often to its outright dismissal. Political scientist Stephan Haggard lamented this state of affairs: "Criticizing dependency theory has become an academic industry of the worst sort. The crudest formulations are attacked with vehemence, the overall contribution and the more sophisticated variants ignored" (Haggard 1990, 19).

The Currency of Dependency?

None other than one of the movement's leading lights, Fernando H. Cardoso, has changed his view of the mechanics of the world economy. Speaking as head of state of Brazil, he has said: "today we [in the Brazilian government] believe that the international stage offers advantages to everyone. The zero-sum game, whereby the benefit of one part implies the loss of the other, is already obsolete" (quoted in Estefanía 1998, 283). In the same vein, he has urged for the need to "liberate ourselves from old ideological dilemmas." In light of this dominant intellectual climate, it would seem difficult to contend that dependency holds any relevance today whatsoever. Dependency assertions are certainly defunct. Nevertheless, the issues that inform this paradigm have not disappeared. Indeed, they have probably acquired added relevance. (The approach informing this discussion will be the Cardoso-type, historical-structural variant of the dependency movement.) One would do well to remember that throughout the 1990s "the world economy [was] far more unstable and its performance more uncertain than in the 1950s and 1960s" (Helleiner, 108). External shocks — terms of trade deterioration, reduced demand for exports, international interest rate increases— have reared their ugly head with disturbing frequency in recent years and thereby lent currency to dependency concerns.

Does the nature of the international economy today give currency to the dependency outlook? Could it be asserted this intellectual movement provides more wisdom today that at any other time since its inception? At a very general level, the answer is apparent. Dependency emphasizes links —between national governments (leverage), between Northern and Southern elites (linkage), and between national economies (markets). Global economic integration naturally entails a strengthening of the links between markets and, more indirectly, of links between governments and elites. Globalization has been defined as the process whereby national economies are progressively integrated into the framework of the international economy in such a way that their evolution will depend more and more on international markets and less on the given economic policies pursued by governments. This idea already brings forth the framework of reference that informs dependency theorists.

Changes in the trade and monetary regimes bring changes to the rules of the world economy that developing nations have to take as given —i.e., they cannot influence the context in which they must undertake their development strategies. Moreover, the room for maneuver in terms of economic policy-making can be small indeed. However, the idea that the end of development must be national economic autonomy, as *dependentistas* would have it, is rather perplexing and mystical —unless, of course, one takes it as an article of faith that severing links with the industrialized world will improve standards of living, which is ludicrous. The most cursory review of economic history reveals that economic autarky is not the road to prosperity. Neither economic isolation nor integration into the international economy can guarantee economic growth; simply said, economic development is the result of a much more complex matrix of factors.

Just how relevant is the dependency framework as a useful tool for the study of underdevelopment? A few scholars still hold that dependency is a more fruitful approach than neoliberalism for the analysis of the problems of underdevelopment (Kay, 1998; Ghosh 2001). This view is untenable, not least because it assumes that dependency is a fully developed, self-contained theory of development, when it is not. Dependency analysis has no specific proposals for how to improve productivity, increase the rate of growth, wage the war on income inequality, diversify and expand exports, or increase domestic savings, to name a few crucial economic challenges. The danger run by those espousing dependency tenets uncritically is that they fall prey to the idea that development is an elusive goal as long as reforms in international economic regimes (trade, monetary, financial, etc.) are not undertaken. The reality is that there is much room throughout the Third World for undertaking domestic policies to improve domestic economic conditions within the rules of the current international economic order. While changes in trade and monetary regimes would be of much help indeed, they are far from panaceas. Dependency defenders conveniently omit the fact that a plethora of internal causes are crucial for explaining underdevelopment.

Notwithstanding the heaps of criticism, many non-*dependentistas* are still intent on salvaging the validity of certain aspects of the perspective. Political scientist Stephen Krasner has argued that

> dependency theory is useful because it offers a much broader range of criticisms of the postwar economy than did Prebisch and other early [structuralist] writers. It explains many phenomena within a single overarching framework: terms of trade, capital flows, technology transfers, consumer tastes, political oppression can all be systematically linked with the workings of the world capitalist system (Krasner, 85).

Again, this and similar statements can be undermined with ease: terms of trade obey basic rules of long term demand and supply and may not be negative; international capital flows, while not exempt from risks, allow many LDCs to tap into external savings and smooth consumption patterns; technology transfers are one of the benefits associated with Foreign Direct Investment; political oppression, where it may exist, has causes other than economic interactions with the developed world; public consumption patterns in the poor countries, while certainly skewed in ways uncongenial to development, can be better explained by reference to domestic political economy factors... It is indeed difficult to soundly uphold many of the specific claims of *dependentistas*.

What the dependency perspective fails to recognize is that nation-states, however weak politically and poor economically, can take domestic steps to reduce their vulnerability to the vagaries and uncertainties of the international economy: if a country's foreign exchange comes largely from a single export commodity, making it vulnerable to price fluctuations on the world market, that country has the option to work to diversify its exports; if it is too dependent on foreign savings to balance its accounts or to undertake needed investment, it can take measures to steadily prop up domestic savings. Granted, these steps are fraught with difficulty, take time, and are more easily spelled out than accomplished. However, the larger point remains that developing nations enjoy some autonomy of maneuver, and that, to an important extent, their vulnerability to developments in the world economy is a function of their own domestic economic and social policies.

If something unites orthodox and unorthodox *dependentistas*, it is the view that dependency is a "pervasive set of transactions that condition all aspects of a society's character and behavior" (Krasner, 42). Therein lies a second fatal error. Dependency analysis emphasizes the interdependence of economic and political relations, but it does so in an overly economistic way. Its analysis does not grant underdeveloped states political autonomy of action. Rather, policy-making elites in Asia, Latin America and Africa are depicted as allies and puppets of First World economic interests. Again, this is a case where empirical developments have demolished one of the pillars of the movement's theoretical edifice: the vigorous political demands made by Third World leaders in the 1970s for a New International Economic Order could not be squared with dependency arguments.

Viewing the international economy as an amalgam of economies interacting with one another in politically neutral terms flies in the face of everyday experience. Much to the contrary, power asymmetries shape economic relationships and interactions between the developed and the underdeveloped countries. As is well known, economists make the concept of power exogenous to their analysis. Liberal economics artificially separates the economy from other aspects of society and accepts the existing sociopolitical framework as given. For mainstream economists, the framework of social, political and cultural institutions lies outside their analyses of underdevelopment. Liberalism is devoid of a theory of the dynamics of international and national political economy. That makes its understanding of the wealth and deprivation of nations conspicuously incomplete. In fact, during the past quarter century, the ascension of international political economy as a field of study in its own right has responded to an increased recognition that political (and other non-economic) factors between and within nations influence economic outcomes and vice versa.

In sum, the dependency perspective obfuscates our understanding of development in many ways, most importantly by denying domestic actors autonomy in the direction in which they want to steer their economies and neglecting the causes of poverty that can be attributed to domestic policies. It can only be said to contribute to our understanding of development problems in an indirect way: insofar as it underscores the external dimension of economic development. Political economist Barbara Stallings introduces three mechanisms by which the international system influences the operations of less developed countries. All three are emphasized by the dependency school:

> One concerns the operation and impact of international markets that constitute the constraints —and opportunities— within which Third World actors must operate. A second stresses the economic, political, and ideological "linkage" between domestic groups and international actors. The third concentrates on the power relations between international actors and Third World governments, the question of "leverage" (Stallings, 48-49).

Let us look at these three factors in brief. Although the tribulations of the world economy affect all countries, they are not affected in a similar way: less developed economies are particularly vulnerable. A country's crucial external link to the world economy is the export market. Demand for exports will be a function of both the health of the global economy (level of worldwide economic activity) and the evolving characteristics of the world trading system. If, as economist Jagdish Bhagwati has described it, this trade system is "at risk" because of the pervasive presence of tariffs, quotas, and non-tariff barriers in the industrial world, developing nations will inexorably pay a high price. The volume and value of a country's exports are paramount for, among other things, they indicate its relative ability to avoid severe economic problems. In fact, the World Bank defines a nation as Heavily Indebted in terms of its debt/exports ratio; countries are considered to have unsustainably high debt burdens if they represent 220% of exports or higher. International financial markets figure as a second independent variable that influences dependent economies. When imports exceed exports in value —trade deficits— finance is invariably required to bridge this gap. How much countries can feasibly borrow and *in what terms* are matters of no slight relevance. Less developed nations have little or no say over the very terms of borrowing that so deeply affect them: interest, fees, and maturity. Finance can be obtained from private commercial banks, or public institutions, notably the International Monetary Fund (IMF).

What can one make of the concept of linkage today? Business groups are the most relevant of the groups linking domestic markets to the world economy. These will have an important voice over government policy-making, and are likely to use their political clout to push governments into opening the economy and adopt globalization-friendly policy stances. They are also more likely to advocate the payments of debts incurred with external debtors and, in general, to acquiesce to international demands for economic and political reform that will improve the country's image among the developed country constituents. Another source of linkage is that of technocrats at senior levels of government. Few are the high-level developing country technocrats nowadays who have not worked or studied in the United States or Europe, leading to their forming an ideological consensus very much attuned to that of their counterparts in the developed nations.

The third mechanism under consideration is that of leverage. It involves the direct use of diplomatic power by one actor over another. However, the units exerting power here are non-state; indeed, in the sphere of economic policy the Bretton Woods institutions are leaders: the International Monetary Fund (IMF) and the World Bank. Leverage is usually exerted, in addition to these two, by bilateral aid agencies, private banks, multinational corporations and others. The IMF, of course, has exerted great influence over Latin America, particularly after the early 1980s generalized debt crisis. The Fund's imposition of Structural Adjustment Programs in return for medium-term finance has translated into its having an important say over the macroeconomic policy prescriptions and proscriptions of these countries.

The foregoing discussion should give a preliminary idea as to how markets, linkage and leverage constrain the toolkit of policy options available to LDCs as well as rendering development trajectories significantly vulnerable to exogenous forces. These ideas could be developed in much greater length and detail, but this has already been done rather thoroughly.[6] It is useful at this point to stress two insights overlooked by dependency analysis with regard to the global economic order. First, *dependentistas* naïvely painted a leveled economic playing field for all nation-states (in both trade or monetary regimes), as stylized accounts of liberal economists would have it. Second, dependency did not acknowledge that power politics between countries, for good or bad, will always shape in important ways the attributes of the international economic system — and thus the setting within which individual development strategies are pursued. Political economist Robert Gilpin (2000, 42) puts it in more concrete terms: "the dominant powers in the international system play a major role in defining the purpose of the international economy and the principal rules governing international economic activities." Only someone blind to the political dimension of international economic relations could deny that asymmetrical power relations skew the rules of the global economic order in ways unfavorable to Latin America and to the developing world in general. The world trade regime provides an excellent example. The benefits for the developing world of lower tariffs for products in which they specialize cannot be overstated. We are endlessly reminded by reputed trade economists that freer trade in agriculture would do much more for many poor countries than any amount of foreign aid or debt relief. Yet, the narrow political interests of the powerful nations prevail. Whereas successive trade rounds have reduced the average tariff on manufactured goods from 40% to 4% in the past fifty years, the figure for agricultural tariffs remains close to 40% (*Economist*, 25). The developed world has used much political muscle in making sure the door to their agricultural markets remains shut. In short, developing nations often get short-changed in international economic forums. The process of globalization is fueled in important ways, not only by technological trends, but also by deliberate political decisions. The strong inevitably shape the nature of global economic integration much more than the weak (i.e., the developing nations). Blinded by their economicism, this rather basic insight was missed by most dependency writers.

Conclusion

Apart from all of its methodological and definitional deficiencies, dependency theory has been empirically undermined by the recent historical experience of many less developed countries. Those who may still hold to its fundamental premise that underdevelopment is a process that perpetuates economic backwardness, rather than a condition from which LDCs can escape, simply choose to ignore recent economic history. However, it has been contended here that dependency is useful in the limited sense that it offers an international political economy framework for understanding underdevelopment. Economics alone cannot account for many of the factors that restrict economic and social progress. A reference to political economy dynamics in both domestic and international arenas is necessary. Dependency analysis rightly emphasizes the interdependence of economic and political relations in the international arena. If the political-economic dynamics it spells out are often mistaken, at least it gets the frame of reference right. In the final analysis, the study of underdevelopment is patently incomplete by seeing the world through economic lenses alone. After fifty years of development experience since the discipline of development economics was born, scholars are increasingly coming to terms with the reality that underdevelopment is the result of a bewildering array of factors, economic and political, but also social, cultural, etc. We can say retrospectively that the dependency movement was simply too intellectually ambitious in seeking to account for underdevelopment with a general theory of political economy. As one of the pioneers of development theory, Albert Hirschman, wrote thirty years ago,

> The attempt to produce general statements about the relationship between politics and economics is likely to produce only banality and frustration. For relationships at this level are either evident and hence uninteresting, or are so complex and dependent on so many other variables as to be unpredictable and inconclusive (1971, 8).

It would be difficult to phrase more succinctly what has doomed dependency to the dustbin of history.

Globalization means that Latin American economies are subjected to the discipline of international financial markets as well as the threat of exit by local and international investors. Dependency theorists would predictably use this insight to validate their thinking by asserting that global economic integration restricts the room for maneuver of many governments in matters fiscal and monetary. While this is undeniable, reduced freedom of policy action is not necessarily deleterious for development. In fact, many economists assert that the new discipline imposed on developing nations by international markets has weeded out the worst examples of irresponsible, populist policies of times past by tying politicians' hands. The international economic scene is quite different from the one extant when dependency tenets were first being formulated in the 1950s and 1960s. But again, it is up to Latin American governments to take advantage of the new opportunities and to limit the new risks that come with this new world economic landscape. Their policies give them some leverage as to the extent to which they want to control their individual economic destiny. That is the good news. Dependency, in more pessimistic fashion, did not allow for that possibility.

NOTES

1. Bearing this in mind, the use of the term 'theory' will be retained for the sake of convention and simplicity.
2. The use of the past tense when referring to the dependency movement is deliberate given that, for all practical purposes, the movement can be considered dead insofar as there is not a critical mass of scholars that publicly defends it precepts. However, there surely remain some *dependentistas*, and the dependency approach certainly characterizes the work of some social scientists in Latin America, whether they carry the dependency label or not.
3. A good study that throws light on the eminently political character of the dependency approach is *The Dependency Movement* by Robert Packenham. In the view of many, it stands as perhaps the most comprehensive assessment of dependency that has been written to date. However, a good number of scholars have remarked that Packenham is just as ideological as some of the dependency writers he attacks, and that he is blinded by his obsession to undermine the dependency school. Other highly commendable studies of dependency theory include: David Lehman. 1986. *Dependencia: an Ideological History* Brighton: IDS Publications—Discussion paper 219; David Lehman. 1979. *Development Theory: Four Critical Studies* London: Cass; Jorge Larraín. 1989. *Theories of Development: Capitalism, Colonialism and Dependency* Cambridge: Polity; Jorge

Larraín. 1989. *Latin American Theories of Development and Underdevelopment* London: Routlege; Bjorn Hettne. 1995. *Development Theory and the Three Worlds: Towards and International Political Economy of Development* Harlow: Longman Scientific and Technical; Joseph Love. "The Origins of Dependency Analysis" *Journal of Latin American Studies* 22 (1990): 143-168; Joseph Love, "Economic Ideas and Ideologies in Latin America since 1930" in Leslie Bethell (ed.) 1994, *Cambridge History of Latin America* Vol. 6, pp. 393-460.

4. The use of the Spanish equivalent here is not gratuitous, for a look at the word's epistemology yields more than a mere curiosity (Berzosa 1996). The prefix *sub* in Spanish means "derived from" or "as a consequence of." A literal reading of the term therefore indicates that underdevelopment is a by-product of development (*desarrollo*). This is precisely what the fathers of the dependency movement would contend: underdevelopment should be thought of, not as a condition or state, but as a *process*, that of the international capitalist system concurrently producing development and —as a necessary by-product— underdevelopment.
5. Andre Gunder Frank negated the possibility of dependent development, emphasizing that metropolitan centers extract surplus excesses and expropriate them to the detriment of the periphery, these relations being framed in a zero-sum fashion.
6. See the excellent chapter by Barbara Stallings, "International Influence on Economic Policy: Debt, Stabilization and Structural Reform" in Stephan Haggard and Robert Kaufmann (eds.) *The Politics of Economic Adjustment* Princeton: Princeton University Press, 1992.

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