Why Poor Countries Remain Poor: The Latin American Dependency School

Stefan de Vylder

I have a confession to make. Some fifty years ago, I was a firm believer in the Latin American dependency theory.

When I arrived in Chile in 1971 as a PhD student, collecting material about the 'Chilean Road to Socialism' under the left-wing government of Salvador Allende, one of the first economists I got acquainted with was Latin America´s leading dependency theorist, Andre Gunder Frank.[1] And most of my academic friends in Chile shared my conviction that the main problem of the so-called developing countries, the 'periphery', was their dependence on the rich countries, the 'center' or 'metropolis'.

The economic history of Chile seemed to confirm the basic tenets of the dependency school. In terms of its natural endowments, Chile was a rich country – but with a poor people. Its economy was closely integrated into the world capitalist system and strongly dependent on the extraction of natural resources such as nitrate and copper, creating huge fortunes for transnational corporations and for a small but wealthy economic and political elite. The economy was characterized by boom-bust cycles largely originating from fluctuations in export prices. The agricultural sector was overwhelmingly dominated by huge *latifundios* owned by market- and export-oriented heirs of the Spanish settlers. The indigenous farmers were confined to tiny *minifundios*. Feudalism? No. Capitalism? Yes. A distorted, highly inegalitarian, dependent capitalism. The US-supported military coup in 1973, and subsequent coups in a majority of Latin American countries, served to confirm that the 'metropolis' continued to dominate political events in Chile as well as in Latin America as a whole.

When I was asked to write a contribution to this book, the topic suggested was the Latin American dependency school. My first reaction was to say no; I abandoned my dependency studies over forty years ago. But after some hesitation, I accepted the challenge to try to summarize the history of the rise and fall of dependency theory. But first a few pages on the intellectual background, the history of theories of development and underdevelopment.

[1] Frank was actually born in Germany, which his left-leaning family fled in 1933 when Andre was four years old. His most productive years as a dependency theorist 1963-73 were spent in Latin America.

The Origins of Development Economics

To ask the right questions is more important than giving correct answers to trivialities. And the great classical economists, primarily Adam Smith, David Ricardo and Thomas Malthus, deserve high grades for posing relevant questions, but perhaps not always for the methods used to answer them.

The full title of Adam Smith's classical book *The Wealth of Nations* from 1776 was *An Inquiry into the Nature and Causes of the Wealth of Nations* (Smith 1776). The topic of Adam Smith's book was, in short, development theory, and the questions were the same as those that are still being asked: What do we mean with 'wealth' (today we might say 'welfare', or 'human development'), and why do certain countries prosper, while others don't?

No one can blame Adam Smith for not providing convincing answers to his overriding question. However, the major factors stressed by Smith – such as the role of capital accumulation, i.e. savings and investment, the benefits of specialization and division of labor, and the emphasis on markets and effective demand, i.e. human needs plus purchasing power – can still today be regarded as good points of departure in a rudimentary theory of development.

Adam Smith may also be called a pioneer in understanding poverty and wealth from a multidimensional perspective. His emphasis on 'human dignity' reflects his view that human well-being cannot be measured in material terms only; it has a profound social dimension related to an individual's self-esteem and sense of belonging.

The Classical Economists

Adam Smith´s successors in the late 18th and early 19th century also addressed the fundamental issues of societies' long-term development prospects. But despite important contributions in areas such as international trade (Ricardo 1817) and business cycles and aggregate demand (Malthus 1798), most of their answers were inferior to Smith's. Malthus' unfortunate 'population law', in combination with Ricardo´s law of diminishing returns in agriculture and a poor understanding of the potentials of new technology, made Malthus, Ricardo and a host of less prominent followers end up with extremely pessimistic forecasts of mankind´s future. As late as in the mid-19th century John Stuart Mill, a great social scientist and at that time Europe´s most influential economist, concluded that societies were doomed to become stuck in a 'stationary state' in which capital accumulation was constantly being neutralized by population growth, and where the great majority of the population eked out a meagre living close to subsistence level, with limited hope for a better future (Mill 1848). For good reason, economics used to be called the 'dismal science'.

Karl Marx

Karl Marx had high respect for the classical economists, although he scorned Malthus' 'naïve babble' about the links between economic development and population growth. Like Adam Smith, and unlike Malthus and Ricardo, Marx realized the huge potential of technological progress, and of the revolutionary capacity of capitalism in transforming the 'productive forces', to use his own terminology.

Marx was an optimist. Economic, social and human development is possible and, indeed, inevitable. Capitalism was just one necessary and progressive stage in the historic transition from backwardness and poverty to the overcoming of scarcity in the future communist society. In Marx' view, capitalism was, of course, bound to suffer from recurrent crises and intensified class struggles, but in the meantime, thanks to capitalism, tremendous progress in the material conditions of mankind was bound to be made.

Towards the end of the 19th century, a major shift – the 'marginalist revolution' – took place in the discipline that used to be called 'political economy'. Somewhat schematically one could say that the classical economists, including Karl Marx, addressed issues related to long-term development, production and the distribution of income between the different social classes, while neoclassical theory was largely confined to micro theory. Consumption, marginal utility and supply and demand on individual markets became the major focus areas. With few exceptions, such as Joseph Schumpeter, macro developments were largely neglected.[2]

John Maynard Keynes

It was Keynes who, in the 1920s and 1930s, lay the foundations for what we today call macroeconomics. His overriding focus was not, however, long-term development but business cycles, and in particular the role of fiscal and monetary policies in managing aggregate demand so as to smoothen fluctuations in output, employment and inflation (Keynes 1936). His perspective was limited to problems affecting modern economies. The typical unemployed person in Keynes' writing was a British steel worker who had lost his job as a result of a reduced demand for steel.

Keynes had virtually nothing to say about conditions in low-income countries, which to a large extent were British colonies. But it was he who inspired later economists – such as Roy Harrod, Evsey Domar and Robert Solow – who became the pioneers of modern theories of economic growth (Harrod 1933, Domar 1957, Solow 1956). A key component of their growth theories was the attempt to combine the Keynesian analysis of the effects of investment on effective demand with its effects on productive capacity and economic growth Once again, Adam Smith

[2] Schumpeter´s major work, *The Theory of Economic Development*, was published in English in 1934, but the German original dates back to 1911.

was a forerunner; as early as in 1776 he recognized the links between capital accumulation, productivity and the size of the market, i.e. effective demand.

The 1950s: The Development of Development Economics

Harrod, Domar and Solow also had the developed countries in mind when they formulated their theses, but it didn't take long before the approach, mainly based on the close correlation between investment ratios and growth, began to be applied to poorer parts of the world as well. And it was in the early 1950s, that the development problems confronting low-income countries began to receive more than scattered footnotes in the economic literature. The earlier analyses of these societies were largely made by colonial officials, geographers and explorers of exotic cultures, journalists, missionaries and, occasionally, social anthropologists.

Development economics was becoming consolidated as a rather independent branch of mainstream economics. It is easy to understand this somewhat sudden awakening to problems of poverty and development. The most important factor was the process of decolonization. The UN declaration of Human Rights from 1948 did not exclude any country or individual. The widespread misery characterizing life in the old colonies was questioned both within the newly sovereign countries and by the international community. The right to social and economic development was universal.

Development Theories in the Shadow of the Cold War

The historical Bandung Conference, organized in 1955 in Bandung, Indonesia, with representatives from twenty-nine countries representing more than fifty percent of the world's population, was an expression of the fact that times were changing. The stated objectives of the conference were to promote Afro-Asian economic and cultural cooperation and to struggle against all forms of colonialism and neocolonialism. The conference was an important step in the formation of the so-called non-aligned movement.

Behind the increased preoccupation with the so-called Third World was the cold war, and the intense rivalry between the superpowers, primarily the US and the Soviet Union. The 'East' and the 'West' soon became involved in a fierce struggle to find political allies, and hopefully also military bases, among the independent nations. This rivalry was also reflected within the growing group of development economists. As one of many expressions of this ideological battle could be mentioned that the subtitle of the probably most important single work on development theory from the early 1960s, Walt Rostow's *The Stages of Economic Growth*, was *A Non-communist Manifesto* (Rostow 1960).

The design of development strategies and plans soon accompanied the formulation of development theories. Development goals were established, and a host of international institutions and bilateral donors assisted with funds and technical assistance.

It is beyond the scope of this essay to discuss the great variety of ideas and strategies that were presented during these early years of development controversies. But a few words may be said about the two competing paradigms which we may call 'liberals' and 'structuralists'.

The Liberal School

What united mainstream liberal economists was – and is still – a firm belief in the superiority of a market economy over central planning and all forms of socialism. They also share(d) a conviction that a closer integration with the global economy is a necessary condition for economic development.

Walt Rostow's main footprint in the history of economic thought is his way of classifying countries in accordance with which of the five stages of development they had reached. The road to material well-being was, according to Rostow, virtually linear: from the 1) 'traditional society' via 2) 'preconditions for take-off' and 3) 'take-off', 4) 'the drive to maturity' to the final goal: 5) 'the age of high mass consumption'. A prerequisite for a successful take-off was a substantial rise in the level of investment, resulting in economic growth and industrialization.

Rostow's contemporary, Sir Arthur Lewis, born in Saint Lucía in the Caribbean, stressed the dualistic character of poor countries, with a small, industrial sector surrounded by 'traditional' agriculture with, to quote his best-known article, 'Economic Development with Unlimited Supplies of Labour' (Lewis 1954). Key to development in Lewis' model was modernization and capital accumulation (Lewis 1955, p. 155):

> The central problem in the theory of economic development is to understand the process by which a community which was previously saving four or five per cent of its national income or less, converts itself into and economy where voluntary saving is running at 12 or 15 per cent of national income or more ...The central fact of economic development is rapid accumulation (including knowledge and skills).

A common companion of the liberals' early development theories and strategies were the so-called gap analyses, which identified key factors which were lacking in poor countries. Something – usually capital but also foreign exchange, modern technology, an educated workforce, physical infrastructure and efficient and honest governments – was in short supply.

A natural corollary to the identification of gaps was that the developing countries' relations with the developed world had an important and positive role to play. Through trade, credit, foreign investment, foreign aid and foreign technical assistance, the strategic bottlenecks could be eliminated, thereby enhancing economic growth and welfare. In some of the sociological and anthropological versions of these modernization theories, traditional beliefs and traditions had to be replaced by more entrepreneurial attitudes as taught in courses and seminars conducted by 'achievement-oriented' expatriate experts. Underlying these approaches was what might be called a diffusion paradigm: capital and knowledge from the rich and dynamic North should be diffused to the much poorer and 'traditional' South, which badly needed a closer integration into the world economy.

The Challenge from Structuralists and Early Dependency Theorists

During and after the Great Depression, Latin America suffered from declining terms of trade and a series of economic shocks originating from the external sector. In view of the recurrent balance of payments crises and shortages of imported manufactured goods, the prevailing trade theories, and patterns of trade, began to be questioned.

Virtually all mainstream development economists shared a common conviction: foreign trade is good for development, and Ricardo was right. Not always, said a number of economists in Latin America. The beneficiary of trade based on comparative advantage was bound to be the North rather than the South. The pioneer in this criticism was the Argentine economist Raúl Prebisch, who was also the first head of the influential Economic Commission of Latin America (ECLA), founded in 1948 and based in Santiago de Chile.

Already in 1950, Prebisch published what friends and foes alike called the 'ECLA Manifesto'.[3] The root cause of Latin America's underdevelopment was identified as a lack of diversification of the economies away from primary products. Under the prevailing international division of labor, Prebisch writes, 'the specific task that fell to Latin America, as part of the periphery of the world economic system, was that of producing food and raw materials for the great industrial centers. There was no place within it for the industrialization of the new countries' (Prebisch 1950, p.1).

Central to Prebisch's analysis was that commodity producers were doomed to suffer from declining terms of trade. The main reason was the low income elasticity of primary products compared to manufactured goods and the fact that productivity gains in the primary sectors tended to be transferred to consumers in the developed countries rather than to the producers. This hypothesis is called the Prebisch-Singer theory since the German-British economist Hans Singer developed similar ideas independently of Prebisch.[4]

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[3] His adversaries among more conservative economists liked to draw the attention to another, more famous, manifesto.

[4] Hans Singer formulated his main thesis in a highly influential article in *American Economic Review*: 'Generalizing, we may say that technical progress in manufacturing industries showed in a rise in incomes while technical progress in the production of food and raw materials in underdeveloped countries showed in a fall in prices' (Singer 1950, p. 438).

Many other Latin American economists and sociologists – such as Osvaldo Sunkel, Pedro Paz (Sunkel 1970, Sunkel and Paz 1970), Celso Furtado (1970), Claudio Véliz (1963) and Fernando Henrique Cardoso (1970), among the most prominent – further developed the Prebisch-Singer thesis, and can be regarded as non-Marxist predecessors of dependency theory.[5]

Commodity prices fluctuated more than manufactured products, it was argued, and protectionism in the rich countries was harming food exporters in the South. The trap in which the peripheral countries found themselves was often described in terms of vicious circles or cumulative processes of stagnation and decline in the South.

The historical perspective, in particular the destructive colonial heritage, was often emphasized, for example by Celso Furtado (1970, p. 17):

> Taking an extremely schematic view, it can be said that the first 150 years of the Spanish presence in Latin America were marked by the spectacular economic successes of the Crown and the Spanish minority that had participated directly in the Conquest, by the destruction of a large part of the existing population, by the worsening of the living conditions of the population that survived the Conquest and, finally, by the impact on vast regions of the development of growth poles whose main function was to produce a surplus in the form of precious metals, which was transferred to Spain on an almost entirely unilateral basis.

To a much larger extent than the neoclassical economists, the structuralists paid attention to domestic structural obstacles to development, such as the small size of domestic markets and the highly unequal distribution of land, income and political power. The influence from Keynesianism was obvious in the analysis of the role of the State: Market forces alone could not solve the problems of underdevelopment and poverty.

The importance of industrialization in the peripheral countries was consistently stressed. In his classical paper from 1950, Prebisch emphasized: 'Industrialization is not an end in itself, but the principal means at the disposal of those countries of obtaining a share of the benefits of technical progress and of progressively raising the standard of living of the masses' (Prebisch 1950, p. 2).

The obvious strategy accompanying structuralist theory was import substitution. With the aid of tariffs on imports of industrial goods, domestic manufacturing was to be protected. Other measures, such as cheap credit and various forms of state subsidies, were also used to support the incipient industries. Given the limited size of domestic markets, and the equally weak bargaining power vis-à-vis the North, Prebisch and many other structuralists also advocated a closer economic integration between the Latin American countries.

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[5] Cardoso actually claimed that it was he who first used the expression dependency theory. Could be. In Chile in the mid-1960s, Cardoso collaborated closely with other founders of the school before he distanced himself from the more radical interpretations of the leading *dependentistas*.

The policies were willingly adopted by the political leadership in Latin America (and, after decolonization, in large parts of Asia and Africa as well). The message was attractive: the economic problems of their countries were primarily due to external factors (discriminatory trade relations with the North, declining terms of trade, neocolonialism, etc.). Protectionism and state-led industrialization were also useful instruments to justify an enhanced role and power of the public sector.

It should however be stressed that industrial policies in various forms had been implemented in several countries in the 1930s, long before the import substitution strategy got its name. The sources of inspiration were Keynes and European social democracy rather than the still unknown Prebisch-Singer theory. Countries such as Brazil, Chile and Argentina had been more or less forced to build up a domestic manufacturing industry during the Great Depression, when foreign exchange restrictions drastically reduced imports of manufactured goods. And for several decades, the policies appeared to be rather successful.

A Neo-Marxist Approach: Paul Baran

In 1957, a book was published in the US by the left-wing Monthly Review Press. The author was the American economist Paul Baran, and the book, *The Political Economy of Growth* (Baran 1964), remained rather unknown for many years until it was 'discovered' by radical economists in the 1960s.

Baran was a self-proclaimed Marxist, and his analysis constituted a frontal attack on the prevailing liberal paradigm. His key message was that the South suffered from relations of exploitation and dominance through trade and direct investment. And, of course, from political submission to colonial and imperialist powers. In other words: the maintenance of widespread poverty was the result of *too much*, not too little, integration into the world economy. Development for the few and poverty for the many were two sides of the same coin.

Baran was therefore highly critical of Marx' rather optimistic assessment of the development prospects of the poorest parts of the world (Baran 1964, p. 13):

> The logic of economic growth is such that a slow and gradual improvement of living standards in little-developed countries is an extremely difficult if not altogether impossible project. Whatever small increases in national output might be attained with the help of Western investment and charity as may be forthcoming are swamped by the rapid growth of the population, by the corruption of local governments, by squandering of resources by the underdeveloped countries´ ruling classes, and by profit withdrawals on the part of foreign investors.

The Latin American Dependency School: The Hard Core

Although many economists working in the ECLA tradition had used expressions relating to dependence, it only became a 'school' in the mid-1960s when a group of sociologists and economists working together in Brasilia in 1963–64 coined the phrase 'dependency theory'. Several of the members – such as Fernando Henrique Cardoso, Theotonio Dos Santos, and Ruy Mauro Marini – were Brazilians who were forced to leave their home country shortly after the military coup in 1964. Another member, Andre Gunder Frank, was a visiting professor in Brasilia at the time of the military takeover in Brazil.[6]

A few years later, the above-mentioned friends and colleagues were all living in Santiago de Chile, which had become an asylum for left-wing Brazilians and a magnet for radical social scientists. Santiago was also the host city of ECLA and a number of international organizations and research institutes, and several of the prominent members of the structuralist school – such as Claudio Véliz and Aníbal Pinto – were well-known Chilean economists.

What soon became known as the dependency theory was the result of a convergence between the ECLA-inspired structuralists and neo-Marxist currents that emerged within the 'New Left'. While accepting much of the structuralist criticism of prevailing patterns of trade and foreign dominance, the dependency school carried the analysis one step further, in a more radical direction. The hard core of the dependency school, represented by Frank, Dos Santos and Marini, all called themselves Marxists, which was not the case with the first generation of *dependentistas*.

Imperialist Exploitation and Not Only Trade

The Prebisch-Singer thesis was primarily a theory of how the industrialized countries, but not the poorer parts of the world, benefited from trade. The dependency school, which used expressions like 'imperialism' and 'neo-colonialism', which were never found in the ECLA publications, also analyzed other ways in which the center/metropolis could exploit the periphery/satellites. In line with Marxist theories of imperialism – represented by Lenin, Rudolf Hilferding, Rosa Luxemburg and others – the power exercised by the North rested on the fact that political and military power was also heavily concentrated to the economically dominant countries.

The ECLA structuralists accepted, with some reservations, direct foreign investment as a necessary form of transmission of capital and modern technology to the less developed countries. In dependency theory, the technology monopoly exercised by the North rather works against industrial development in the South (Dos Santos, 1970). Direct foreign investment is

[6] An interesting account of the collaboration in Brazil and Chile between the pioneers of development theory is found in Kay (2020).

just another vehicle for the extraction of 'surplus', to use Paul Baran's key concept, in the form of profit remittances, transfer pricing and the payment of royalties. In a similar way, high interest payments on foreign loans are seen as an expression of imperialism in the financial sector.

The dependency concept, especially in its neo-Marxist versions, had a huge impact in Latin American academic and literary circles, and among broad sectors of the population as well. As an example, it could be mentioned that one of the best-selling books in Chile and Argentina, and soon all over Latin America, was called *Para leer al pato Donald* [How to Read Donald Duck]. The book, published in Spanish in 1972, was written by Ariel Dorfman and Armand Mattelart (1972), two well-known writers and intellectuals. and was a very entertaining attack on US corporate and cultural imperialism, represented by the Disney empire.

Revolutionaries Rather than Reformists

The dependency theorists did not object to land reform and state-led industrialization, but their faith in a reformist road to development was limited. Latin America's ruling classes and their foreign allies could never be expected to give up their privileges. The dependency school therefore rejected the possibility of an alliance between the 'progressive' national bourgeoisies and the industrial working class which the center-left parties advocated. During the peak of its influence, the late 1960s and early 1970s, the dependency school was closer to the Cuban revolution than to conventional communist parties (whose contributions to development theory were marginal, and whose role in Latin American politics was equally marginal).[7]

Building on the works of structuralists and neo-Marxists, the dependency school's first and easiest target was the Rostowian view of Third World countries being 'traditional', 'backward' or even 'autarchic'. Rostow's 'entire approach to economic development and cultural change attributes a history to the developed countries but denies all history to the underdeveloped ones' (Frank 1969, p. 40).

In the words of Andre Gunder Frank, 'underdevelopment' should be regarded as a *process* rather than a stage. An influential article by Frank had the telling title *The Development of Underdevelopment* (Frank 1972). In Frank´s scheme, the main reason why poor people stay poor is that (Frank 1972, pp. 3–4):

> … contemporary underdevelopment is in large part the historical product of past and continuing economic and other relations between the satellite underdeveloped and the now developed metropolitan countries … A mounting body of evidence suggests … that the expansion of the capitalist system over the past centuries effectively and entirely penetrated even the apparently most isolated sectors of the underdeveloped world.

[7] For a discussion of the limited role of orthodox Marxist theories and political parties in Latin America, see, for example, Blomström and Hettne (1984, Chapter 2) and Kay (2020).

Not surprisingly, Frank (1967) also attempted to demonstrate that Latin America experienced its best development and industrialization in periods such as the Great Depression in the 1930s and during the two world wars, when the continent's links with the North were weakest.

Dependency Theory in Action?

The logical conclusion from the above assertion by Frank is that Latin America should attempt to delink from the North. Dependency theory was, however, exceedingly weak when it came to the elaboration of coherent development strategies. It was a theory of *under*development, not about development.

While the ECLA economists were instrumental in proposing reforms in a wide range of areas – trade policy, fiscal and monetary policies, industrial policies, the role of planning, etc. – the *dependentistas* gave very little advice, and were largely neglected by governments in the region. Most of them accepted the structuralists' recommendation to industrialize, but explicit suggestions about, say, appropriate trade policies, were largely lacking. Many mentioned the need for South-South cooperation and for regional integration in Latin America, but the basic message from Frank, Dos Santos, Marini and many of their followers was that the continent needed a socialist revolution. In articles and books, titles such as *Latin America: Underdevelopment or Revolution* (Frank 1969) or *Socialismo o fascismo: Dilema latinoamericano* (Dos Santos 1969) were common.

In Latin America and the Caribbean, the only country that attempted to follow a development strategy based on concepts borrowed from the *dependentistas,* was Jamaica under Michael Manley. Manley, Jamaica's president 1972–80 and 1989–92, recruited a number of left-wing economists as his advisors, and the president himself used a language that reflects the Prebisch-Singer thesis and well as dependency theory (Manley 1974, quoted in Blomström and Hettne 1984, pp. 124–25):

> As is now well understood, all the newly independent territories have found themselves trapped in an economic dilemma. Their trade is established in traditional patterns with the metropolitan powers. In these patterns, the former colonies supply the basic materials which attract the smallest part of the 'value added'… In return we import manufactured goods … which represent the lion´s share of 'value added'… As a consequence, it takes more and more tons of Jamaican sugar to purchase an American or British tractor as the years pass. Hence, the terms of trade which are inherently against us to begin with, tend to move increasingly against us.

During Michael Manley´s first presidential period, Jamaica developed close relations with Cuba and the non-aligned movement, and a number of radical social reforms were carried out. Despite some self-reliance rhetoric, little was, however, done to weaken the economic links with the North. During Manley's second term, he softened his socialist and self-reliance rhetoric, and was increasingly accused of pursuing 'neoliberal' policies.

Virtually all dependency theorists were, at least until med mid-1970s, staunch supporters of the Cuban revolution. Cuba's increased dependence on the Soviet Union, economically as well as ideologically, was, however, regarded with suspicion, and the economic stagnation in Cuba was obvious to all. The leading *dependentistas* had more in common with Che Guevara than with Leonid Brezjnev, and from the point of view of dependency theory, Cuba had little to offer in support of a more independent road to development.

Dependency Theory outside Latin America

The dependency school never received much attention outside Latin America. One prominent exception, however, is the Egyptian-born economist Samir Amin, whose huge production includes analyses of African underdevelopment from a core/semi-periphery/periphery perspective (e.g. Amin 1974, 1976) and who, together with Arghiri Emmanuel, developed a theory of unequal exchange. By and large, the Amin/Emmanuel concept of unequal exchange was accepted by the leading Latin American *dependentistas*.

In sharp contrast to the Prebisch-Singer hypothesis, the theory of unequal change did not accept that terms of trade necessarily deteriorated for primary producers vis-à-vis industrial goods; indeed, they found this distinction quite misleading. Nor did differences in productivity provide a satisfactory explanation of the development of relative prices. It is rather the wages which are institutionally, or exogenously, determined; they are the independent variable in the models. In the North, Emmanuel and Amin, argued, trade unions are strong enough to raise wages, which is not the case in the low-income countries with an excess of labor power.

A concrete example used by Emmanuel may indicate the essence of the arguments (Emmanuel 1972, p. 82):

> For many decades, perhaps for centuries, the technique of producing whisky has not progressed by a single step. Not has that of the great wines of France. And yet these products are sold at a price that is high enough to pay the workers who produce them in accordance with the North-West European wage level and the capitalists who own them according to the universally applicable rate of profit. This is not so with textiles, despite the ultramodern plants to be found in Egypt, India or Hong Kong.[8]

[8] Emmanuel (1982, p. 92) quotes approvingly a remark from Marx*:* 'And even if we consider Ricardo´s theory … three days of one country´s labor may be exchanged for a single day of another country's. In this case the rich country exploits the poor one, even if the latter gains through the exchange' (Emmanuel 1972, p. 92). A similar example could be taken from the services sector today. A barber in London may have an income which is ten times higher than that of his or her colleague in Lagos or Tegucigalpa. This wage differential can hardly be explained by different levels of productivity. Behind the theory of unequal exchange is the fact that even low-skilled workers in the North are lucky enough to benefit from high *average* wages in their countries.

Despite certain theoretical differences, Amin also cooperated with leading members of the *dependentista* school, among others Andre Gunder Frank and Theotonio Dos Santos, in the ‘world system’ analysis which covered the historical origins of the entire global capitalist system.

Walter Rodney’s *How Europe Underdeveloped Africa* (1972), to a large extent inspired by Latin American dependency theorists, could also be mentioned in this context. The following paragraph is almost identical to similar formulations about Latin America by Dos Santos, Marini or Frank (Rodney 1972, p. 34):

> African economies are integrated into the very structure of the developed capitalist countries; and they are integrated in a manner that is unfavorable to Africa and ensures that Africa is dependent on the big capitalist countries. Indeed, structural dependence is one of the characteristics of underdevelopment.

In Asia, dependency theory never took root. Although the literature on the destructive effects of colonialism in countries like India is huge, very few Asian economists referred explicitly to dependency theory.

Critique of Dependency Theories

By and large, like most other unorthodox, left-wing currents, dependency theory was neglected rather than criticized by neoclassical economists. In the words of Robert Solow, ‘we neglected radical economics because it is negligible’ (cited by Frank 1991, p. 1). One of the few prominent mainstream economists who bothered to penetrate the dependency literature was Sanjaya Lall, who found serious shortcomings in most respects: the definition of dependence was utterly vague, and the entire approach did not deserve the name ‘theory’ (Lall 1975).

Similar arguments were often raised among other social scientists. A typical comment is: ‘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 one’ (O’Brian 2013 p. 14).

The empirical support for the hypothesis that dependence on the North was an obstacle to growth was also found to be weak. And when I reread my old dependency favorites, I am struck by the fact that human beings, and people’s livelihoods, are virtually absent in most of the texts. If people in the South are said to remain in poverty unless their economies delink from the Northern metropolis, one would expect a wealth of data supporting this thesis. What were the major trends in Latin America as regards per capita income, infant mortality, life expectancy, school enrollment and other indicators of development, or lack of development? Few answers to such questions are given.

Since the social scientists who actually read what the dependency school had to say tended to belong to the political left, it may not be surprising that most of the explicit criticism also came from the left. One early example is the Argentine Marxist Ernesto Laclau (1971), who questioned the simplistic view that 'capitalism' was an adequate description of the whole continent since colonial times. Instead, he argued that feudal relations still characterized much of Latin America's countryside. Laclau also criticized the leading *dependentistas* for putting too much emphasis on the sphere of circulation and external factors rather than on production and the class struggle.

Bill Warren (1973) strongly opposed the dependency school's pessimistic views on the possibilities for the South to industrialize and develop. Imperialism actually facilitated the process of industrialization, Warren argued, by breaking down many obstacles to development in traditional societies. In this sense, he was a more orthodox Marxist than the *dependentistas*. While Marx never supported the colonial powers' exploitation of their colonies, he nevertheless saw imperialism as a vehicle, albeit a vehicle with evil methods, for the modernization of the entire world.

Much of the neoclassical economists' criticism was not directed against the (neglected) dependency theorists but against all development schools which questioned the advantages of free trade. Trade theory based on Ricardo and comparative advantage is the one thing that virtually all mainstream economists could and can agree upon. The infant industry argument in favor of protectionist policies was, by and large, discarded, together with all theories of unequal exchange.

While dependency theories were largely ignored by mainstream economists, the strategy of import substitution, which became official development policy in a large number of Third World countries, became increasingly questioned. And contrary to dependency 'theories', this criticism often had a solid empirical support.

One very influential publication, *Industry and Trade in Some Developing Countries*, by three prominent economists, Ian Little, Tibor Scitovsky and Maurice Scott (1970), was a thorough analysis of the actual achievements of import substitution policies in a number of countries in Africa, Asia and Latin America. The authors' conclusion was that the strategy had led to the establishment of inefficient industries producing expensive goods for small domestic markets behind high tariff walls. Effects on employment were found to be limited, and the policies tended to lead to a discrimination of agriculture, low international competitiveness of tradables and recurrent balance of payments crises. Similar results were confirmed by increasing numbers of studies.

Too many babies may, however, have been thrown out with the bathwater. Economic developments in Latin America in the 1950s and 1960s were not as bad as both the neoliberal critics of import substitution *and* the dependency theorists argued. And several East Asian countries – with South Korea and Taiwan as outstanding examples – pursued successful state-supported industrialization policies followed by a gradual opening up of their economies when international competitiveness had been achieved. Support to infant industries is not always detrimental to development. With good institutions in place, good industrial policies may follow.

Global Economic Developments and the Death of the Dependency School

The 1970s witnessed some remarkable developments in the world economy. The energy crises of 1973–74 and 1979, when oil prices rose drastically, were accompanied by increases in world market prices of foodstuffs and of raw materials in general. The terms of trade moved in favor of the developing world, and the Prebisch-Singer thesis was either ridiculed or neglected.

Actual developments in other parts of the world did not confirm dependency projections of continued underdevelopment in low-income countries. In particular, it became obvious that several countries in East Asia were experiencing accelerated growth when they moved from import substitution to an export-oriented strategy. And Hong Kong had, of course, always been an open, and increasingly successful, economy. Being situated in the periphery of the world economy did not necessarily mean that poor countries and people had to remain poor. Export promotion rather than import substitution became the new fashion.

The process away from state interventionism and protectionism was reinforced by the market-oriented agenda that swept over the world. Under the name of structural adjustment, the IMF, the World Bank and a majority of bilateral aid donors began to apply a rather strict conditionality in their support to debt-distressed countries, which were more or less forced to liberalize their economies, including their foreign trade regimes.

Structural adjustment was a mixed success, to say the least. In Africa and Latin America, the 1980s is often described as a 'lost decade'. But the attempts to be disobedient to the Bretton Woods institutions and follow a more 'self-reliant' strategy in countries like Tanzania (during the first half of the decade) and Zimbabwe were not more successful.

The intellectual and political hegemony of import substitution strategies was definitely broken by the mid-1980s. And the leading dependency theorists – most of whom were forced to exile in Europe or North America – were becoming increasingly marginalized. The fall of the Berlin wall, and of the Soviet empire, were other big nails in the socialist coffin.

The Dependency School: An Obituary

In one important respect, the structuralists and the *dependentistas* have had a lasting impact: The Latin American countries *have a history*. The countries' situation today, and the institutions that have developed, cannot be understood without some understanding of their past, and of the impact of colonialism. To describe the continent is terms of a Rostowian 'traditional society' has become impossible.

But the dependency school's pessimistic forecasts of the future of the Third World were fundamentally wrong, The dependency theorists could not imagine a world in which the 'periphery' would account for well over fifty percent of the world's GDP, as it does today, or that China could have a larger economy than the US before 2020 (all measured by purchasing power parity). Neither could they imagine the truly dramatic improvements in indicators such as infant mortality, life expectancy, literacy and per capita income that were being registered in most low- and middle-income countries between, say, 1990 and 2019.

While it is difficult to overestimate the influence that the dependency school once had on an entire generation of social scientists in Latin America, today the school is dead. Dependence in various forms certainly remains, and many of the issues about the asymmetric political and economic relations between rich and poor countries that the dependency theorists raised still deserve to be discussed.

A 'theory' which condemns the major part of the world's population to continue to live in poverty unless they make a socialist revolution must, however, be declared stone-dead. The right person to write an obituary is perhaps the most influential of the founding fathers of dependency theory, Andre Gunder Frank. In his autobiographical essay from 1991, he describes an intellectual journey full of self-criticism. A few examples may indicate why.

Frank didn't see, until very late, the dynamic developments occurring in Asia: 'I perhaps underestimated their (i.e. the newly industrialized East Asian countries) capacity for technological upgrading and new participation in the international division of labor' (Frank 1991, p. 22). As regards socialism, he writes: `The events in and between Kampuchea, Vietnam and China oblige socialists to undertake an agonizing reappraisal … The Cultural Revolution in China proved a failure … Socialist revolution and development, de-linking and self-reliance were in serious trouble in the Third World' (Frank 1991, pp. 25-26). Frank also describes how other Third World countries, primarily in Africa, which called themselves 'socialist" led these countries into a 'blind alley'. 'In short', Frank concludes, 'both objectively and subjectively speaking, really existing socialism offers scant realistic hopes for any real alternative solution to Third World problems today'. (Frank 1991, p. 26).

Goodbye Revolutionary Socialism, Hello Democracy and Feminism

> I sometimes also fell victim to this short shrift for democracy on the left. At least, I closed a blind eye to it. Today, development must include more democracy. (More) democracy must include (more) respect for human rights. These rights must include (more) political freedom of speech, organization and choice. However, these human rights must also include access to the economic and social basic human needs necessary to exercise such political choice (Frank 1991 p. 30).

During Frank's last years (he passed away in 2005), he and his wife Marta were directly involved in the study and activities of various social and grassroot movements. Frank also emphasized that these experiences had taught him much about the key role of women in the struggle for a more egalitarian society. In the last 10–15 years of his life he never used, to my knowledge, the dependency vocabulary.

As for other well-known *dependentistas* a few, such as Theotonio Dos Santos, continued to defend the essence of dependency theory, but in his collaboration with Samir Amin, Arghiri Emmanuel and Immanuel Wallerstein he concentrated on the world system analysis rather than on Latin America. Ruy Mauro Marini, who returned to Brazil after the fall of the dictatorship, continued to work as a revolutionary intellectual and political activist. The non-Marxist *dependentista* Fernando Henrique Cardoso became the president of Brazil (1995–2002).

Postscript: Goodbye Globalization, Hello Delinking?

After the almost unfettered globalization and intellectual hegemony of pro-market ('neoliberal') economists and politicians, the main tendency today (mid-2020) may be called deglobalization. Already a couple of decades ago, influential economists such as Joseph Stiglitz and Dani Rodrik published articles and books with titles such as *Has Globalization Gone Too Far?* (Rodrik 1997) or *Globalization and Its Discontents* (Stiglitz 2002). From various non-governmental organizations, gathering under the battle cry 'Another world is possible', the global elite's globalization was condemned, and demonstrations against the World Trade Organization, the IMF and the World Bank were common. The huge protests which disrupted the WTO Ministerial Conference in Seattle in 1999 may symbolize the emergence of a new, rather heterogenous, movement questioning neoliberalism and free trade from a grassroot perspective. Dependency theories and theorists were largely absent from this movement´s discourse, however.[9]

[9] It is interesting to note that the 'new' social movements that emerged in the beginning of the 21st century hardly ever referred to dependency theory. For example, in 2002, the Philippine intellectual and activist Walden Bello (2002) published a widely circulated book with the title *Deglobalization. Ideas for a New World Economy* which does not contain one single reference to dependency theories, or to any of the leading members of the dependency school.

The role of free markets, in particular the hegemonic role of global financial markets, became increasingly questioned. The financial crisis of 2008–09 can be interpreted as a classical example of a market failure, and the crisis served to erode the belief in the 'efficient market hypothesis' that had come to dominate mainstream economics. The ongoing, and potentially disastrous, climate crisis can also be described as a giant market failure. Demands for more government interventions and regulations have become increasingly common, not only from the center-left.

In the last decade, the trend away from unfettered globalization has accelerated. A number of semi-authoritarian, nationalistic and xenophobic political forces have seen their influence increase, not least in Europe. In the US, the political right's attacks on so-called globalists have been accompanied by demands for protectionist policies and the launching of trade wars by the Trump administration. The process of decoupling of the world's two largest economies, the US and China, is likely to continue. In 2020, Covid-19 has accelerated the fragmentation of the global economy that was already under way. In the wake of the pandemic, a number of countries are trying to protect domestic firms and workers by enforcing stricter controls on the movement of people, goods and services.

The just-in-time philosophy characterizing the era of hyperglobalization is being replaced by an emphasis on resilience and not only efficiency. Huge efforts are being made by transnational corporations to reduce their dependence on foreign suppliers and vulnerable value chains. Governments, which found themselves dependent upon a limited number of far-off suppliers of medicines and protective equipment, are arguing that they need to build up stocks of essential products to be better prepared when the next disaster strikes. Leading EU officials have been talking about creating a 'strategic autonomy' in Europe.

The role of the State has become upgraded. Government interventions to protect jobs with the help of gigantic bailing-out programs are being supported by all conceivable political forces. Concepts such as self-reliance and delinking, used and misused by radical economists and politicians in the 1960s and 1970s, are circulating again. But somewhat paradoxically, it is in the North, rather than in the South, that the old dependency vocabulary is being recycled.

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