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Modernization and dependency theory

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In this chapter I discuss the main ideas of the theories of modernization and dependency from the perspective of the Latin American region. Both theories have to be set against the background of the Cold War and the competing ideologies of capitalism and communism. Modernization theory emerged in the North during the 1950s and 1960s and was largely absorbed uncritically at the time by social scientists and policy makers in Latin America. From the late 1960s it was fiercely challenged by the *dependentistas*, as the dependency theorists and followers were often called. While modernization theorists aimed to develop and strengthen the capitalist system in the Third World, distinct strands within dependency theory aimed either to overthrow it and start a process of transition to socialism (a Marxist strand), or to reform the underdeveloped structures of the region and reforming the international economic system towards a more equitable relation between North and South (a structuralist position). I will first examine modernization theory (MT), proceed to the analysis of dependency theory (DT), and finish with some conclusions.

Modernization theory

After the Second World War the process of decolonization gathered pace. Social scientists were encouraged by governments, international institutions, aid agencies, and policy makers to undertake research into the so-called 'backward' countries or 'non-Western societies' with a view to designing and implementing development strategies and policies which overcame the various economic and social obstacles to development. For economists these barriers boiled down to finding ways to increase the rate of savings and investment while sociologists focused on changing social norms and cultural values. Development was seen as a process of transition from a traditional to a modern economy and society.

The development goal for traditional societies was seen as involving a process of modernization that followed the footsteps of the West by adopting the experience of the developed countries as a model. In this dualistic typology of traditional and modern, traditional societies were defined as simple and undifferentiated societies with a large rural subsistence economy based on family labour, employing primitive technology which explained their low productivity and poverty. They were also characterized by low levels of literacy, health, and political participation. By contrast modern societies were depicted as complex and differentiated, with an industrial economy geared to the market, based on wage labour and the adoption of scientific technology which explains their high productivity and standard of living. They enjoyed high levels of literacy, health, and political participation. While modern societies are characterized by universalism (actors judge each other according to general principles in their personal relationships), achievement orientation (individuals are judged according to their actions), and self-oriented (when private interest dominated actors' behaviour), the opposite is the case for traditional societies who display particularism (actors judge each other according to their personal relationships), ascription (individuals are judged according to their given status), and collective orientation (when collective interests are given priority). Countries were accordingly located by modernization theory in a unidirectional continuum between these two extremes. Modernization theorists dangled the promise before the

underdeveloped countries that they could catch up with the developed countries by replicating their experience.

One characteristic which modernization theory regarded as blocking development in traditional societies was traditionalism itself, whose fatalistic approach to life ('things have always been as they are') discouraged people from taking action. Meanwhile in modern societies there was held to be a willingness to overcome obstacles and embrace change while maintaining certain traditions. They were characterized as having upward social mobility, equal opportunities, rule of law, individual rights, and freedoms. Thus for traditional societies to progress, prevailing attitudes, beliefs, and cultural and social values had to be displaced by modern viewpoints through the diffusion of scientific knowledge, technical capabilities, organizational and institutional capacities, and so on. Development aid from rich to poor countries would facilitate the process of transition.

Different authors within modernization theory emphasized different factors for modernization to take place. Wilbert Moore (1963) underscored value changes towards individual merit, social mobility, science, and political participation. In turn, David Lerner (1958) stressed transformations in personality, David McClelland (1961) highlighted such psychological factors as the desire to achieve, and Everett Hagen (1962) expressed this in terms of developing an entrepreneurial and innovative spirit. Bert Hoselitz (1960) uses the pattern variables of Talcott Parson for his analysis of social change and economic development.

The prominent political scientist, Samuel Huntington (1968), argued that the main objective of modernization should be the promotion of political order. He was concerned that the political institutions in developing countries would be unable to cope with the increasing political participation and social demands unleashed by a process of modernization and that this could result in the eventual breakdown of the political system. Hence his overriding concern was for securing political order and stability above all other objectives. His analysis was interpreted (by some) as justifying strong and even authoritarian governments. Huntington also differed with some of

the tenets of MT as, in his view, all societies combined to different degrees both traditional and modern elements. Thus all societies are in transition. He thus critiqued mainstream MT for being too static and unable to explain the actual processes of change.

In sum, modernization theorists emphasized that social, cultural, psychological, and political factors are also important for economic development. In this way, the non-economic social sciences were put ultimately at the service of economic objectives, although economists were seen as having the upper hand in the design of development strategies. This secondary role of sociological and cultural factors has since been challenged, especially with the rise of post-modern, postcolonial, and cultural studies which largely dismissed economics and the whole idea of development.

One of the most popular and probably most influential analyses of economic growth within a modernization perspective is that of the economic historian Walt W. Rostow (1960). He argued that there are five stages in the modernization process which all countries must sooner or later follow; (1) the traditional society, (2) the preconditions for take-off, (3) take-off, (4) the drive to maturity, and (5) the age of mass-consumption. Societies are situated at different points on this continuum. Traditional societies are located within the first two stages and modern societies in the last two stages. The take-off stage was the key turning point towards modernization. The preconditions for take-off is a protracted stage of over a century, involving the formation of a vigorous commercial and entrepreneurial class whose savings finance the industrialization process. By contrast the take-off stage is a much shorter period of two or three decades during which the rate of investment increases substantially enabling the rate of economic growth to exceed the rate of population growth and for income per capita to rise for the first time in history.

One of the main attempts to apply Rostow's stages of growth theory to Latin America was made by Guido di Tella and Manuel Zymelman (1973). Their depiction of six stages of growth in the case of Argentina were similar to Rostow's but with some modifications as in their analysis reaching a certain stage did not automatically secure the transition to the next. In the

case of Argentina, they inserted an additional stage between Rostow's (3) and (4) called 'delay' as Argentina failed to adjust fast enough to the change from an agricultural export economy to an industrial economy. Although the country had reached in their view the self-sustained stage (1933–1952) they characterized the subsequent period as one of readjustment rather than leading to the age of mass consumption. Meanwhile Gino Germani (1962) distinguished four stages of economic growth in Latin America which are traditional society, weakening of traditional society, dual society, and, finally, mass society. For each stage he analyzed the economic, societal, and political characteristics.

In the late 1960s André Gunder Frank (1972a, orig. 1967) launched a devastating critique of MT. He forcefully rejected its traditional-modern dualism, unilinearity, its adoption of neo-Parsonian social pattern variables and neo-Weberian cultural and psychological categories. Furthermore, he argued that it was empirically faulty, theoretically derisory, and useless as a policy tool for underdeveloped countries (Frank, 1969). But his main point of difference with MT concerned the common assumption that underdevelopment was an original state and that the rich countries had developed in isolation, ignoring the ways in which development and underdevelopment are part of a single process in the formation of the world capitalist system since the 15th century. Indeed, I would contend that MT regarded change as being largely determined internally, ignoring the impact of colonialism and imperialism on underdeveloped countries or assuming these to be benign. Empirical evidence has shown discontinuities and reversals in the development process and that rather than a single evolutionist path of development there is a variety of transitions to modernity.

While some Latin American thinkers merely replicated the ideas of the modernization theorists there was one notable exception. Gino Germani (1981) introduced some ideas of his own by creatively adapting MT to the particular conditions of Latin America. For example, he argued that social forms belonging to different historical periods coexist in any process of transition thereby creating conflicts as some spheres change faster than

others. There are lags, backlogs, and various asynchronies, as he calls them, such as between regions, institutions, social groups, and motivations. He is also concerned with the “demonstration effect” of advanced societies which can create aspirations for a level and type of consumption in the transition societies which cannot be met and can therefore lead to mass mobilizations and crisis. But some of the abovementioned shortcomings of MT also apply to him. From a Marxist perspective he fails to discuss class, exploitation, and class conflicts, as well as ethnic conflicts, which can be very acute in underdeveloped countries.

Varieties of dependency theory

Background

DT arose at a particular time and context within Latin America. The theories of imperialism and the ideas of the Latin American structuralist school of development were two key influences. The structuralist school arose out of the Economic Commission for Latin America and the Caribbean (ECLAC), a United Nations body established in Santiago, Chile, in the late 1940s, whose driving force was the Argentinian Raúl Prebisch (Kay, 2006). Although not generally considered to be a dependency theorist, Prebisch was certainly one of its precursors. He wrote the influential *Economic Survey of Latin America 1949* (ECLA, 1951) which the famous thinker Albert Hirschman (1961: 13) appropriately dubbed the ‘ECLA Manifesto.’ Prebisch’s centre-periphery paradigm exposed how the international trade system worked to the benefit of centre countries (the developed rich countries of the North) and to the detriment of the periphery (underdeveloped, developing, or poor countries of the South) exacerbating inequality between them. The centre countries retained most of the benefits of their industrial technological progress (through increased profits and/or wages) and profited from the (relatively) lower prices of the primary commodities they imported from the periphery. The periphery, by contrast, transferred part or all of its increased

productivity in the form of the primary commodities they exported to the centre while at the same time as being unable to benefit from the increases in productivity of the industrial commodities exported by the centre. This phenomenon, which flatly contradicted Ricardian orthodox international trade theory on comparative advantages, is referred to in the economic literature as the 'Prebisch-Singer thesis' on the periphery's deterioration of the terms of trade, i.e. the price of primary commodities exported by the periphery falls more quickly (or rises more slowly) than the price of the industrial commodities exported by the centre.

Prebisch's conceptualization of the world economy and his revelation of the systemic unequal relationship between centre and periphery profoundly changed how the problem of development should be addressed. It constituted a very different way of looking at the problem of development from MT and from orthodox economic theory (Kay, 1989). In his last book, published five years before his death, he attempts to develop a theory of 'peripheral capitalism' which is written in the best structuralist tradition that he pioneered and where he introduces aspects of DT while also attacking the emergent neoliberal paradigm (Prebisch, 1981).

Differences and commonalities within DT

The early influence of the structuralist school on DT aside, it is my contention that there is not one, but several distinct versions of DT so that strictly speaking one should talk of dependency theories in the plural rather than the singular. This broad array of ideas which emerged in the mid-1960s reached its widest influence in Latin America and worldwide during the 1970s. Its demise started with the economic crisis of the 1980s and the rise of neoliberalism, first through the pursuit of World Bank- and IMF-designed structural adjustment programmes and later with the Washington Consensus in the 1990s. In this transformed context, some dependency thinkers embraced world system theory, others, known as neo-structuralists returned to their structuralist roots with modifications, and yet others

argued that aspects of DT acquired new relevance with the spread of neoliberal capitalism globally (see Gwynne and Kay, 2000).

I distinguish mainly two strands within DT, one with origins in structuralism and the other in Marxist theories of imperialism. Both arose as a critique of the process of import-substitution industrialization (ISI) that most Latin American countries (especially the larger ones) had been following since the Second World War or earlier. In the early decades growth rates under ISI rates were high and industry became the most dynamic sector of the economy. Later growth rates declined as ISI became 'exhausted.' Expectations of ISI relating to employment, income distribution, technological diffusion, and export orientations never fully materialized. What particularly provoked and irked progressive critics at the time was that ISI led to increasing control by foreign capital over industry rather than greater national control over the economy. Foreign capital not only retained a high degree of control of the traditional primary product export sector, particular mining and plantation agriculture, but began to dominate the new industrial sector as well.

The key difference between the structuralist and Marxist strands in DT is political. While the former sought to surmount dependency and underdevelopment by reforming the capitalist system, the latter argued that the shackles of dependency could only be surmounted by overthrowing capitalism, if necessary by revolutionary means, and replacing it with socialism. Another key difference pertains to the theoretical apparatus deployed. While structuralists used the analytical and conceptual tools of development theory, albeit of a heterodox kind, Marxists relied on historical materialism and the labour theory of value.

While both strands of DT share a comparable definition of dependency, the problematic of dependence cannot be reduced to and encapsulated in a single definition as will become clear later. Sunkel (1973: 136) writing from a structuralist perspective argues:

Development and underdevelopment should therefore be understood as partial but interdependent structures, which form part of a single whole. The main difference between the two structures is that the developed one, due basically to its endogenous growth capacity, is the dominant structure,

while the underdeveloped structure, due largely to the induced character of its dynamism, is a dependent one. This applies both to whole countries and to regions, social groups and activities within a single country.

Writing from a Marxist perspective, Dos Santos (1973: 76) notes:

Dependence is a conditioning situation in which the economies of one group of countries are conditioned by the development and expansion of others. A relationship of interdependence between two or more economies or between such economies and the world trading system becomes a dependent relationship when some countries can expand through self-impulsion while others, being in a dependent position, can only expand as a reflection of the expansion of the dominant countries, which may have positive or negative effects on their immediate development. In either case, the basic situation of dependence causes these countries to be both backward and exploited.

As can be seen both views emphasize the interdependence between the developed and underdeveloped countries and the absence of an autonomous capacity for growth in dependent countries. The dependency situation arose with colonialism when Latin America became incorporated into the emerging world capitalist system. Due to this colonial dependent relationship, which restructured the economy, society, and polity of the region, the resulting process of transformation created a distinctive dynamic from that of the dominant colonial power, a dynamic which the independence of the republics did not fundamentally alter. Hence, contrary to Rostow's stages of growth thesis and to some modernization theorists, Latin America's process of change has a distinctive origin and dynamic from that of the developed countries. As formulated by Sunkel (1972: 520): "Development and underdevelopment ... are simultaneous processes: the two faces of the historical evolution of capitalism."

Meanwhile Frank (1972b: 19–20, his emphasis) from his marxisant position writes:

The point of departure for any credible analysis of Latin American reality must be its fundamental determinant, which Latin Americans have come to recognize and now call *dependence*. This dependence is the result of the historical development and contemporary structure of world capitalism, to which Latin America is subordinated, and the economic, political, social, and cultural policies generated by the resulting class structure, especially by the class interests of the dominant bourgeoisie. It is important to understand, therefore, that throughout the historical process, dependence is not simply an "external" relation between Latin America and its world

capitalist metropolis but equally an “internal,” indeed integral, condition of Latin American society itself.

What is notable is that Frank does not claim to be one of the founders of DT as regarded by some analysts, especially in the English-speaking world. I also detect in Frank a preference for the term underdevelopment rather than dependence, as will be discussed further on.

While I position Cardoso overall as a reformist, he straddles both DT approaches. For Cardoso and Faletto (1979: 15):

The concept of dependence tries to give meaning to a series of events and situations that occur together, and to make empirical situations understandable in terms of the way internal and external structural components are linked. In this approach, the external is also expressed as a particular type of relation between social groups and classes within the underdeveloped nations. For this reason it is worth focusing the analysis of dependence on its internal manifestations.

As can be observed Frank, as well as Cardoso and Faletto, emphasizes the importance of analysing the relationships between the external and internal factors in the dependency situation, although Frank in his work tends to stress the external and Cardoso and Faletto the internal.

While distinguishing two main strands in DT, authors within each strand have focused or prioritized different aspects. Thus I will next refer to the particular contribution to DT by some of its key thinkers.

Structuralist views on dependency

I focus on the work of Osvaldo Sunkel, Celso Furtado, and Fernando Henrique Cardoso as representative of the structuralist DT. Sunkel's (1969) concern focused on the increasing penetration of foreign capital. He argued that this hindered rather than helped to overcome the difficulties arising from ISI. Foreign industries, often branches of transnational corporations, did not shift production to the export market but merely took advantage of the protective tariff barriers introduced under ISI by producing for the domestic market alone. By transferring profits and royalties to their country of origin and above all by neglecting the export market, they exacerbated

the foreign exchange constraint that was 'strangling' the economy. By producing mainly consumer goods for the domestic market, their actions exacerbated balance of payment problems as the required intermediate and capital goods such as machinery, tools, and spare parts, had all to be imported and paid for in foreign exchange. Without those essential imports the industrialization process would grind to a halt.

Sunkel (1973) was particularly disturbed by the increasing domination of foreign transnational corporations that he saw as deepening Latin America's dependence and leading to national disintegration. By taking over or bankrupting locally owned industries, the presence of transnational corporations weakened the ability and willingness of the national bourgeoisie to pursue a national development strategy, encouraging them to ally themselves instead to foreign capital. Transnationalization fragmented society as only a minority of the middle and working class was incorporated into this transnational network, the majority being excluded and marginalized in the informal economy. Over time those who benefited from the intrusion of the transnational corporations absorbed their social, political, and cultural values and became disengaged from the less privileged majority. In Sunkel's view these transnationalized segments of society increasingly shaped public policy in a way which did not accord with the national interest.

The focus of Furtado (1973), another key thinker in this strand, fell on what he referred to as 'dependent consumption patterns.' He argued that it was the consumption patterns of those social classes with significant purchasing power that determined the structure of industrial production. Their consumption habits were much influenced by those existing in the developed countries so that they demanded almost as many brands and models of cars, televisions, refrigerators and washing machines, and so on, as consumers in the rich countries. The production of these goods was relatively capital intensive, necessitating the importation of machinery and equipment, and sometimes even inputs like steel as only rarely were intermediate and capital goods, with their higher level of investment, skilled labour, and more complex technology, produced in the country. This created

a wasteful and inefficient industrial structure as the domestic market was too small for the industry to work at full capacity and achieve economies of scale thereby requiring increasing protection.

In short, the dependent consumption patterns led to the premature diversification of industry, which required far more capital and foreign exchange than would have been the case if there had been a more equal distribution of income and hence a mass market for industry. An industry geared towards the needs of the majority of the population would have been more labour intensive and less import demanding. Instead all the opposite was the case as a capital-intensive industry favoured those whose earnings came from owning capital. The level of employment was also lower than it would have been otherwise, resulting in less wage income for workers. This meant that a larger proportion of the national income went to the capitalist and a smaller proportion to the workers hereby perpetuating the concentration of income and the premature consumption pattern. In this way a vicious circle of dependence and underdevelopment persisted (Kay, 2005a).

Fernando Henrique Cardoso and Enzo Faletto (1969) wrote one of the most influential books on DT while both authors were working at the United Nations *Instituto Latinoamericano de Planificación Económica y Social* (ILPES) which was established as a sister organization of ECLAC in 1962 under the direction of Prebisch. Given the significance of this text it is surprising that it took a decade to publish the English translation though with a new preface and a post scriptum. In the preface to the English translation, which appeared a decade later, they clarify that, although the dependent countries differ from the central capitalist countries, they do not pretend to propose a 'theory of dependent capitalism' and instead prefer to speak of 'situations of dependency' (Cardoso and Faletto, 1979: xxiii). In emphasizing the diversity of dependency relations, they differentiate themselves from some Marxist analyses of dependency which sought to find the common features of dependency or even its specific laws of capital accumulation (Palma, 1978). While Frank sought 'unity in diversity' Cardoso and Faletto sought 'diversity in unity.' Contrary to the structuralists,

Cardoso and Faletto (1979: xxiv) do not propose autonomous capitalism as an alternative to dependency but rather a process of transition to socialism similar to the Marxists. Cardoso often used Marxist categories in his analyses as well as being sympathetic if not close, to the ideas emanating from ECLAC.

The main aim of Cardoso and Faletto was to provide a sociological and political analysis of the situations of dependence, thereby enriching the centre-periphery analysis of the writings of ECLAC which focused at the time on the economic aspects of the region. They characterized the region as undergoing a process of 'dependent development,' distancing themselves from some dependency interpretations, such as that of Furtado and Frank, which they characterized as being 'stagnationist.' While hampered by dependency, they emphasized that most Latin American economies did grow and in some cases quite substantially, hence the title of their book 'dependency and development.' They also argued that following the crisis of ISI the developmentalist alliance between the industrial bourgeoisie and sectors of the middle class and working class under the aegis of the developmental state broke down and a 'new dependency' arose under a corporatist-authoritarian State controlled by a militarized technocratic bureaucracy.

Cardoso, reflecting on the military regime after the coup d'état of 1964 in Brazil, characterized it as opening an 'associated-dependent development' process. He argued that the intrusion of foreign transnational corporations created a new international division of labour whose interests to some extent "become compatible with the internal prosperity of the dependent countries" thereby stimulating development (Cardoso, 1973: 149). The authoritarian regimes thus established a new alliance with foreign corporations but under conditions of dependence.

The coup d'état in Brazil was followed by military take-overs in several Latin American countries leading Guillermo O'Donnell (1973) to characterize these regimes as 'bureaucratic authoritarian.' He explained their rise as a way of tackling the 'exhaustion' of the first stage of ISI as the subsequent production of intermediate- and capital-goods industries

required a far higher rate of capital investment. The foreign multinational corporations could provide part of the required investment and complex technology; the authoritarian aspect of the State was required for controlling the industrial working class, who had grown in number, become better organized, and had achieved higher wages and access to social benefits under the previous developmentalist State. It had become a political force which the military and capitalist class wished to curb and possibly destroy so as to reduce the costs of labour thereby raising profits and enabling the next stage in the process of industrialization.

Marxist views on dependency

Turning now to the Marxist strand of DT, whose analysis of dependency was influenced by Marxist theories of imperialism such as those of Lenin, Luxemburg, Bukharin, and Hilferding. However, the Marxist *dependentistas* found the theories of imperialism wanting inasmuch as their focus was restricted to the imperial countries and did not take into account the developments from the perspective of the dominated countries. It is this shortcoming which they sought to overcome by discussing the internal dynamics of the dependent countries within the context of the world system which was shaped by the dominant countries. As representative of this dependency view I will refer to the ideas of Theotonio Dos Santos, Ruy Mauro Marini, and André Gunder Frank.

Dos Santos (1968) refers to the 'new character of dependency' in Latin America. Initially in the early stages of ISI, dependency had centred on foreign capital's control of the country's natural resources and exports. With the industrialization of the region the dependency relation changed although this was not understood at the time. The developmentalist State fully supported the industrialization process by undertaking infrastructural investment, creating a development corporation for establishing state enterprises or joint ventures in those sectors where private capital hesitated to invest such as electricity, steel, and petrochemical plants; setting up the

protectionist tariff barriers, state development banks, technical colleges, development plans, and so on. It was anticipated that by industrializing the dependence on raw material exports would be overcome and that the State would acquire a greater degree of autonomy to shape the country's development path. But, this was not to be. On the contrary, owing to foreign exchange constraints, dependence on foreign capital and above all on the foreign corporations which owned the country's key industries increased. Hence, Dos Santos's use of the term 'the new character of dependency.'

The lack of a capital goods industry meant that the dependent countries did not have full control over their economy as they had to import the equipment, machinery, and spare parts for their consumer- and intermediate-goods industries. They were thus 'disarticulated' economies as they could not complete internally the full cycle of capital and were unable to generate their own technological progress. However, in his analysis of Brazil, Dos Santos observed that industrialization did lead to some limited production of capital goods, but that further progress was stymied by the reluctance of foreign corporations to transfer technology and by the inability to develop an indigenous technological capacity in the country. Dos Santos identified this technological dependence as the key impediment for dependent countries to achieve an 'articulated' economy and a relative degree of autonomy over their development process. He was aware that absolute autonomy was not attainable given the interdependencies of the world system. In any case he was striving for the creation of a world socialist system in which neo-imperialism and dependency would be overcome.

Ruy Mauro Marini (1973) focused his analysis of dependence on unequal exchange and overexploitation of labour. In their relations with dependent countries, the dominant countries modify and recreate the production relations of the subordinated countries in order to ensure the continuity of the dependency relationship. The dependence favours the dominant countries because through unequal exchange they capture part of the surplus value produced by workers in dependent countries. While there are certain similarities between the theory of unequal exchange and the Prebisch-Singer

thesis on the deterioration of the terms of trade, there are some key differences. One difference being that the theory of unequal exchange uses the labour theory of value, which is not the case with the Prebisch-Singer thesis. Another difference is that the theory of the unequal exchange is more general since it does not depend on the type of products exchanged between the dominant countries and the dependent one, meanwhile the deterioration of the terms of trade arises from the peripheral countries exporting primary products and importing industrial products from the countries of the centre. Therefore, even when some dependent countries manage to export industrial products, there is still a transfer of value to developed countries. Due to this unequal exchange the capitalist class of dependent countries, so as to maintain their rate of profit, over-exploit workers by increasing the hours of the working day, reducing wages, and/or increasing the intensity of work thereby capturing a greater amount of the value produced by the workers.

Marini introduces the concept of sub-imperialism which is linked to his analysis of the Brazilian political economy after the military coup of 1964 which O'Donnell had characterized as bureaucratic authoritarianism. As Brazil's capitalist development was hampered by insufficient internal demand, thereby limiting the growth of profits and capital accumulation, one solution to this restriction was to expand military spending and engage in sub-imperialist practices. Brazil's large economy, geography, and population as well as its geopolitical importance meant it could use its power to engage in sub-imperialist practices with smaller and weaker countries as well as gaining some concessions from the imperialist countries and foreign corporations regarding access to modern technology and export markets. Authoritarian policies also kept wages in check and allowed income inequalities which fed this distorted industrial structure to continue. Furthermore, the military could develop an arms industry to stimulate the development of an as yet small capital goods sector thereby enhancing the technological capacities of the country as well as providing an outlet for the realization of capital.

Serra and Cardoso (1978) unleashed a fierce debate with their critique of Marini. They disagreed with his analysis of unequal exchange and his

position that this inevitably leads to a fall in the rate of profit and therefore necessitates the super-exploitation of labour in the dependent countries. They also questioned his thesis on sub-imperialism as they held that Brazil did not face a problem of insufficient demand for its products. Finally, they disagreed with Marini's political conclusion that the dilemma facing Latin America was that of fascism or socialism, a position also held by Dos Santos. In brief, Serra and Cardoso did not share Marini's pessimistic view on under-consumption, stagnation, unequal exchange, super-exploitation, and sub-imperialism. In their view economic development could be achieved albeit of a dependent kind. They characterized his analysis as being economistic, voluntarist, and politically reductionist. Marini (1978) rejected these criticisms on theoretical and empirical grounds and in turn indicted Serra and Cardoso of engaging in sociologism, political reductionism, and neo-developmentalism. Furthermore, he charged them with class collaborationism by wanting to build an alliance between the bourgeoisie and the working class under the hegemony of the bourgeoisie and transnational capital with a statist sub-imperialist programme. This debate raised many important issues about Latin America's development and its future. What is remarkable is that Marini was perhaps the first person to foresee the neo-developmental character of Serra's and Cardoso's critique. Later both played a prominent role in Brazilian politics. Cardoso was elected twice to the presidency of Brazil and during his government from 1995–2003 he implemented a neo-developmental strategy within a global neoliberal context.

Turning now to Frank who is probably the best known dependency writer, particularly through his expression 'the development of underdevelopment,' the title of his seminal article published in the independent socialist magazine *Monthly Review*. The article was translated into several languages, published in about 20 journals, and reproduced in many edited books. In this article Frank (1966: 18) argued that the metropolitan countries had underdeveloped the satellite countries and that the linkages between metropolitan and satellite countries worked constantly to recreate the underdevelopment process of the underdeveloped countries.

Hence his use of the phrase ‘the development of underdevelopment.’ It was only by breaking those linkages, through a socialist revolution, that a path of development could be created. Frank’s source of inspiration at the time was the Cuban Revolution, like that of a whole generation of activists in the 1960s. Thus his article and subsequent writings found an avid and devoted audience who further diffused his work.

As Frank published in English, and as only few of the writings of the other *dependentistas* were translated, or only after several years, Frank’s work was taken as representing DT in the English-speaking world. This has had the unfortunate consequence that the variety and richness of the dependency writings by Latin American thinkers remained largely unknown, producing a partial and even distorted view of DT. Furthermore, Frank was reluctant to use the term dependency, preferring instead to employ his concept of the development of underdevelopment (Kay, 2005b). When the term dependency does appear in his writing, it tends to figure only in the title or to be placed between inverted commas or in italics as in Frank (1970: 20). In his view the word dependence had become a euphemism. Indeed, he later declared dependence as dead (Frank, 1972c, 1974). In this 1972 article, he shifted his attention to the process of world accumulation and, to my mind, signalled his final transition to world system theory. I thus consider him as one of its pioneers together with Immanuel Wallerstein, Samir Amin, and Giovanni Arrighi. His analysis of the ‘development of underdevelopment’ is best considered as a forerunner of world system theory, as might also Prebisch’s centre-periphery paradigm and the dependency writings (Kay, 2011).

Frank’s work also revived a debate within Marxism on the modes of production. Scholars and left-wing politicians had already engaged in a debate in the first half of the 20th century on how to characterize the mode of production in Latin America. Most authors characterized it as feudal or semi-feudal on the grounds that the dominant hacienda or latifundia system relied on servile tenant labour or coerced labour relations. In their view free wage labour only began to emerge with industrialization, particularly since the 1930s. Frank (1967) challenged that interpretation by arguing that the

region had begun to be incorporated into the emerging world capitalist system since the Iberian conquest and hence the mode of production was already capitalist in the colonial period. With his radical intervention Frank directed his critique at MT as well as at the predominant Marxist interpretation of the time.

Frank's thesis has been forcefully challenged, fuelling the wider Marxist controversies on modes of production and their articulation which raged worldwide during the 1960s and 1970s. The communist parties were particularly keen to dismiss Frank's view for political reasons as their strategy was to build alliances with the 'progressive' bourgeoisie against the 'feudal' landed oligarchy which had dominated since colonial times. Here we find echoes of the 1920s debate between Mariátegui and Haya de la Torre. By contrast more radical left-wing political and social organizations argued that, given the dependent capitalist character of the countries and the close association of the bourgeoisie with transnational capital, only a socialist revolution could break the dependency relationship which would liberate them from exploitation and lead to an autonomous, articulated, and inclusive development process. Ernesto Laclau's (1971) critique, from a non-communist perspective, is the more substantial one. He faults Frank for over-emphasizing the circulation of commodities and the region's participation in the world market in his characterization of a mode of production and neglecting the importance of relations of production. As, at the time, pre-capitalist relations of production were still prevalent in the rural areas of many Latin American countries they could not be characterized as being fully capitalist. Furthermore, these pre-capitalist relations were not only compatible with production for the world market but were even intensified by it. In some of these, at times dogmatic, debates Frank was accused of not being a Marxist. He replied straight forwardly that he never claimed to be a Marxist. Whatever the verdict, he undoubtedly was considerably influenced by US and Latin American Marxist thinkers and activists and by the Cuban Revolution, while being highly critical of the Soviet system, and in turn he influenced many Latin American Marxists.

Conclusions

In this chapter I have analyzed modernization and dependency theories from a Latin American perspective. MT as applied to the developing regions in disciplines such as the sociology and politics of development was mainly a product of Northern social scientists. With a few notable exceptions, such as Gino Germani who modified it for the Latin American case, it was largely uncritically absorbed by Southern colleagues. But after Frank's devastating critique and that of the dependency thinkers, MT did not prosper although at times authors, either knowingly or unknowingly, adopt aspects of MT. Meanwhile DT had its own spectacular rise and decline, although it has been resurrected by several authors, see Osorio (2004), Sotelo (2005), Beigel (2006), Martins and Sotelo (2009), Munck (2013), Olave (2016), Seabra (2016), Castillo (2017), and Delgado Wise and Veltmeyer (2018), among others.

The significance of DT lies in the fact that for the first time in the history of the social sciences ideas emanating from Latin America, diffused in a flurry of publications, achieved global influence. DT emerged at a time when the Cuban Revolution and Che Guevara inspired revolutionaries throughout the world, when people were protesting against the Vietnam War and the 1968 student revolt swept through several countries in the North. DT exposed the inequalities of the global system and held out the prospect of a new world. It also influenced political parties and even some governments, particularly that of Salvador Allende in Chile whose socialist government was overthrown in 1973 by general Augusto Pinochet with the support of the US administration.

Whatever the strengths and weaknesses of the propositions emanating from this diverse school of thought it will be remembered for being the first major challenge to the Northern-centric or Eurocentric character of the social sciences. It gave fresh impetus to the social sciences and boosted a new generation of social scientists to think creatively about development problems from the perspective of the South and beyond. In the words of the *maestro*: "Development policy must be based on an authentic interpretation of the Latin American reality. In the theories we have received and continue

to receive from the great centres there is often a false pretence of universality. It is especially up to us, people from the periphery, to contribute to correct those theories and introduce in them the dynamic elements necessary to approach our reality” (Prebisch, 1982: 150, orig. 1963, my own translation).

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