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Author(s): Tony Smith

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# THE UNDERDEVELOPMENT OF DEVELOPMENT LITERATURE:

## The Case of Dependency Theory

By TONY SMITH\*

IN the midst of the turbulent seventies, when the ascendancy of the “South,” or non-Communist industrializing countries, is everywhere in evidence, it is a bit difficult to remember back to the sixties when the social science establishment in the United States apparently dominated world literature on the topic of political and economic modernization in Africa, Asia, and Latin America. The end of colonialism and the expansion of this country’s global power into the “vacuums” open to revolutionary activity were largely responsible for calling forth much of this scholarly effort; and, thanks to a growing interest in model building and to well-financed opportunities in area studies, solid professional careers were built in relatively short order. Some of this work has stood the test of time: monographs on delimited problems or, more rarely, theoretical explorations of general patterns of development. For the most part, however, standards of historical scholarship were not high, and to reread the methodological sections of these works with their jargon and their models is often a tedious affair, tempered only by amazement at the poverty of it all. Nor did this literature do much apparent good in influencing political judgment in Washington, if the last two decades of American policy in Southeast Asia or Latin America are any standard by which to measure.

Today a rival literature has appeared on the scene which might be called dependency theory. North Americans figure in its ranks, but the writers are more likely to bear African, Asian, or Latin American surnames. The term “dependency” originated with writings on Latin America; previously, work of this sort was better known for speaking of “neocolonialism,” thereby betraying its African or Asian origins. As the different nomenclature suggests, the *dependencistas*, if we may use their Latin American name, are no monolithic group. Their general outlook has been in evidence for some time in a variety of places, so that substantial disagreements exist within this “school.” Nevertheless,

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it is useful to distinguish the *dependencistas* as a group, since in important respects these writers share an identity of outlook.

Probably the chief feature of the dependency school is its insistence that it is not internal characteristics of particular countries so much as the structure of the international system—particularly in its economic aspects—that is the key variable to be studied in order to understand the form that development has taken in non-communist industrializing countries. Such an emphasis is not the only distinguishing mark of dependency literature, of course: it tends to put more weight on the interaction of political and economic forces than does its developmentalist rival, and it often identifies itself as being unambiguously on the side of change in the South in order to benefit the poorest and most oppressed members of society there. But, as its name implies, dependency theory's most distinctive point is its insistence that the logic of contemporary southern development can only be grasped by placing this process firmly within a globally defined historical context. That is, contemporary political and economic change in the South must be understood as aspects of imperialism today and yesterday. From this perspective alone—from the standpoint of local histories globally understood—can the logic of the development process be comprehended correctly.

As a result, dependency literature has emerged as a powerful ideological vehicle joining southern nationalists and Marxists (together with their northern supporters) within the confines of a generally agreed-upon form of historical analysis. The importance of this union, whatever the tensions existing within it, should not be underestimated: dependency theory is not simply an academic exercise. For the most part, *dependencistas* are committed by their ideas to a form of political action (as they would maintain their developmentalist opponents in the United States to be, however much the latter might deny it). The literature stands out, therefore, because it is something more than a movement in the intellectual history of our day; it is an ideology as well—a form of discourse able to motivate significant political activity. That is, dependency theory represents far more than the intellectual association of Marxism and southern nationalism. It also represents an effort at the practical, concrete unification of two of the most important historical forces of our century, with potentially significant consequences for both local and world history.

This essay is an attempt to investigate what I believe to be a major historiographic failure of dependency theory. It is not intended to as-

sess the relevance of this theory to concrete historical change, nor is it meant as a comprehensive review of the literature (needed as both of these studies are). My argument is simply that dependency theory in general substantially overestimates the power of the international system—or imperialism—in southern affairs today. This is not to deny that northern power is real in the South, nor to dispute that its effect may be to reinforce the established order of rank and privilege there, nor to suggest that imperialism is a term altogether lacking in meaning today. But it is to assert that dependency theory has systematically underestimated the real influence of the South over its own affairs, and to point out the irony of nationalists who have forgotten their own national histories. I hope to suggest not only a critical flaw in dependency theory as it is now written, but an alternative approach to the study of subordinate states in the international system.

## I

Although it is an obvious oversimplification to reduce a complex and variously interpreted position to a few propositions, I will attempt to present a summary of the general tenets of the “dependency” or “neocolonial” form of historical analysis; further discussion will show that there are substantial disagreements among its different proponents. According to the best-known exponents of this perspective, the sovereign states of the South have long been dependent for an evolving mixture of technology, financing, markets, and basic imports on the international economic system dominated by the northern capitalist powers (including Japan). These less developed countries may be called “hooked”: they cannot exist without their dependence, but they also cannot exist with it.

According to this thesis, the Third-World countries cannot do with their dependence because their form of incorporation into the international system has tended to inhibit their industrialization, relegating their economies to the less dynamic forms of growth associated with agriculture or the extractive industries. A surprising number of dependency theorists—until quite recently the great majority—have maintained that these countries would simply be unable to move beyond the industrialization associated with limited import substitution. As we shall see, such a basic error in analysis is typical of this group’s way of thinking and of its preference for conclusions dictated by theoretically logical but empirically unsubstantiated concepts drawn on the grand scale. No wonder, then, that a number of statistically minded political economists have sought to test these propositions and have

been unable to confirm them: it appears as a general rule that the countries most integrated into the world economy have tended to grow more quickly over a longer period than those that are not.<sup>1</sup> To those dependency theorists like Fernando Henrique Cardoso, however, who see the clear evidence that the manufacturing sector *is* expanding dramatically in many Third-World countries, the process remains nonetheless neocolonial, since the leading sectors are inevitably controlled by multinational corporations with headquarters in the North.<sup>2</sup> These corporations, despite whatever benefits they may bring in the form of managerial and technological know-how, take more than they give and—what is more important—make it virtually impossible for local, self-sustaining industrialization to occur. This form of analysis has affinities with Marxism, for it is the economic process which is seen as the dynamic of history. Thus, the stages of economic development of the international system (from mercantilism to free trade to finance capital to the multinational corporation, to take one possible way of marking its development through time) come to interact with the various pre-industrial economies in ways that may be different but that in every case soon establish the dominance of the world order over the form of growth followed locally. Over time, imperialism changes in form but not in fact.<sup>3</sup> Dependency theorists do not argue in any dia-

<sup>1</sup> See Robert Kaufman and others, "A Preliminary Test of the Theory of Dependency," *Comparative Politics*, vii (April 1975); David Ray, "The Dependency Model and Latin America: Three Basic Fallacies," *Journal of Interamerican Affairs and World Studies*, xv (February 1973); Patrick J. McGowan, "Economic Dependency and Economic Performance in Black Africa," *Journal of Modern African Studies*, xiv (No. 1, 1976); Elliot J. Berg, "Structural Transformation versus Gradualism: Recent Economic Development in Ghana and the Ivory Coast," in Philip Foster and Aristide R. Zolberg, *Ghana and the Ivory Coast: Perspectives on Modernization* (Berkeley: University of California Press 1971); and Patrick J. McGowan and Dale L. Smith, "Economic Dependency in Black Africa: An Analysis of Competing Theories," *International Organization*, xxxii (Winter 1978).

<sup>2</sup> Fernando Henrique Cardoso, "Associated-Dependent Development: Theoretical and Practical Implications," in Alfred Stepan, ed., *Authoritarian Brazil: Origins, Policies and Future* (New Haven: Yale University Press 1973), and Cardoso, "Dependent Capitalist Development in Latin America," *New Left Review*, Vol. 74 (July-August 1972).

<sup>3</sup> While the local economies as well as the international system are seen to change over time, in these analyses the dominant partner and therefore the shaper of the overall movement is always the world economy. The subordinate member develops as a "reflection" (Theotonio Dos Santos) or with a "reflex reaction" (Dieter Senghass) to these forces which it can neither escape nor control. Among others, see Theotonio Dos Santos, "The Structure of Dependence," *American Economic Review*, Vol. 60, (May 1970); Dieter Senghass, "Introduction" to a special number called "Overcoming Underdevelopment," *Journal of Peace Research*, xii (No. 4, 1975); Susanne Bodenheimer, "Dependency and Imperialism: The Roots of Latin American Underdevelopment," in K. T. Fann and Donald C. Hodges, eds., *Readings in U.S. Imperialism* (Boston: Porter Sargent 1971).

lectically recognizable fashion that the process is sowing the seeds of its own destruction. For the present at least, the system is still expanding and consolidating its gains.<sup>4</sup>

But if the Third World cannot do with its dependent status, neither can it do without it. For what has occurred is that the local political elites in these areas have almost invariably structured their domestic rule on a coalition of internal interests favorable to the international connection. Thus, it is not the sheer economic might of the outside that dictates the dependent status of the South, but the sociological consequences of this power. The result, as most dependency theorists see it, is that the basic needs of the international order must be respected by the South if this system is to continue to provide the services that the local elites need in order to perpetuate their rule in their turn. In other words, a symbiotic relationship has grown up over time in which the system has created its servants whose needs dictate that its survival be ensured, whatever the short-term conflicts of interests may be. In the case of decolonization, for example, the nationalists who led the drive against colonialism in Africa and Asia potentially faced two foes other than their colonial rulers: local rival class or ethnic groups whose loyalty the nationalists had not managed to secure; and hostile neighboring peoples who were anxious to ensure their interests in the wake of the departing northerners. The situation did not significantly alter once independence was obtained: civil war and jealous neighbors—in each case potentially abetted by the East-West confrontation—continue to jeopardize the independent regimes. Thus the system has at its disposal sanctions for transgressing its basic rules which are all the more powerful since their greatest force comes *not from an active threat of intervention* so much as *from a threat of withdrawal*, which would abandon these dependent regimes to civil and regional conflict; a great many of them would be quite unprepared to face such a fate. So far as I am aware, this last point has not been made by any of the dependency theorists. Nevertheless, it is clearly implicit in their form of analysis. Once again, there are affinities with Marxism: it is understood that economic forces do not act alone in any sense, but must be grasped sociologically as modes or relations of production creating specific configurations of political conflict over time.

<sup>4</sup> Immanuel Wallerstein does not foresee the end of the system for another century or two. See "Dependence in an Interdependent World: The Limited Possibilities of Transformation within the Capitalist World Order," *African Studies Review*, xvii (April 1974), 2.

Certain observations made by the dependency theorists are persuasive and serve as a useful antidote to the claims of those who see in decolonization's "transfer of power" more of a watershed in world history than was actually the case. But these insights exist alongside a number of arguments of dubious validity which I would link to a single yet fundamental theoretical shortcoming common to this style of thinking. Too many writers of this school make the mistake of assuming that since the whole (in this case the international system) is greater than the sum of its parts (the constituent states), the parts lead no significant existence separate from the whole, but operate simply in functionally specific manners as a result of their place in the greater system. They hold that it is sufficient to know the properties of the system as a whole to grasp the logic of its parts; no special attention need be paid to specific cases insofar as one seeks to understand the movement of the whole. "Apart from a few 'ethnographic reserves,' all contemporary societies are integrated into a world system," writes Samir Amin, an Egyptian working in Africa and known in Europe as a leading dependency theorist. "Not a single concrete socio-economic formation of our time can be understood except as part of this world system."<sup>5</sup> As a consequence, in the words of André Gunder Frank, one of the more influential members of this school working on Latin America, "underdevelopment was and still is generated by the very same historical process which also generated economic development: the development of capitalism itself."<sup>6</sup> In myriad forms, the argument appears again and again. A writer on contemporary African politics asserts that underdevelopment "expresses a particular relationship of *exploitation*: namely, the exploitation of one country by another. All the countries named as 'underdeveloped' in the world are exploited by others and the underdevelopment with which the world is now preoccupied is a product of capitalist, imperialist and colonialist exploitation."<sup>7</sup> A book comparing China's and Japan's economic growth after their contact with the West goes so far as to maintain that Ch'ing China and Tokugawa Japan were fairly similar up to the early 1800's, and that any later differences in their economic performance may be explained chiefly by the character of their contact with the West:

<sup>5</sup> Samir Amin, *Accumulation on a World Scale: A Critique of the Theory of Underdevelopment*, I (New York: Monthly Review Press 1974), 3.

<sup>6</sup> André Gunder Frank, "The Development of Underdevelopment," in James D. Cockcroft and others, *Dependence and Underdevelopment: Latin America's Political Economy* (New York: Anchor Books 1972), 9.

<sup>7</sup> Walter Rodney, *How Europe Underdeveloped Africa* (London: Bogle-l'Ouverture 1973), 21-22; emphasis in original.

This study argues that the paramount influence in the rise of industrial capitalism in Japan was . . . [that Japan] occupied a position of relative autonomy within the nineteenth-century world political economy. For a variety of reasons other societies were more strongly incorporated as economic and political satellites of one or more of the Western capitalist powers, which thwarted their ability to industrialize. . . . in contrast . . . China's location in the world political economy dominated by the Western capitalist nations, must be considered of prime importance in China's failure to develop industrial capitalism during the nineteenth and twentieth centuries. China was more strongly incorporated than Japan and thus lacked the autonomy to develop the same way.<sup>8</sup>

Other scholars report they "view Latin America as a continent of inadequate and disappointing fulfillment and seek to pinpoint the co-ordinates of sustained backwardness in examining the process of economic change in a dependent, peripheral, or colonial area."<sup>9</sup> And a book on the Middle East concludes,

The products of Turkish craftsmen, well known and in great demand in Europe during the seventeenth and eighteenth centuries, declined along with the products of the rest of the Middle East when Turkey failed to keep pace with the industrial development of the West. Machine production swept craftsmanship off the markets not only in Europe, but also in Turkey. The latter fell back on agriculture, but in 1908, under the Young Turk movement, she began to take an interest in industrial development.<sup>10</sup>

In the United States, this general argument has reached its fullest expression in the work of Immanuel Wallerstein.<sup>11</sup> In a companion essay written after the completion of *The Modern World System*, Wallerstein approvingly cites Georg Lukacs and says that a central tenet of Marxist historiography is that the study of society should "totalize," or begin with an understanding of the whole. The passage from Lukacs is worth quoting:

It is not the predominance of economic themes in the explanation of history which distinguishes Marxism from bourgeois science in a decisive

<sup>8</sup> Frances V. Moulder, *Japan, China, and the Modern World-Economy: Toward a Reinterpretation of East Asian Development* (New York: Cambridge University Press 1977), vii-viii.

<sup>9</sup> Stanley J. Stein and Barbara H. Stein, *The Colonial Heritage of Latin America: Essays on Economic Dependency in Perspective* (New York: Oxford University Press 1970), viii.

<sup>10</sup> Kurt Grunwald and Joachim O. Ronall, *Industrialization in the Middle East* (New York: Council for Middle Eastern Affairs Press 1960), 331.

<sup>11</sup> Wallerstein's first book in a four-volume series has been published under the instructive title *The Modern World System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century* (New York: Academic Press 1974).



fashion, it is the point of view of the totality. The category of the totality, the domination determining in all domains of the whole over the parts, constitutes the essence of the method Marx borrowed from Hegel and that he transformed in an original manner to make it the foundation of an entirely new science. . . . The reign of the category of the totality is the carrier of the revolutionary principle in science.<sup>12</sup>

Working from this perspective, Wallerstein declares that “the only kind of social system is a world-system, which we define quite simply as a unit with a single division of labor and multiple cultural systems.” He explains:

But if there is no such thing as “national development” . . . the proper entity of comparison is the world system. . . . If we are to talk of stages, then—and we should talk of stages—it must be stages of social systems, that is, of totalities. And the only totalities that exist or have existed historically are mini-systems [“simple agricultural or hunting and gathering societies”] and world systems, and in the nineteenth and twentieth centuries there has been only one world-system in existence, the capitalist world economy.<sup>13</sup>

This tyranny of the whole over the parts can be easily illustrated in Wallerstein’s own work on the sixteenth century; but I will look instead at the work that dependency theorists have done on the problems of underdevelopment in the world of the last two centuries. Here the American most frequently and favorably mentioned by the members of this school is Paul Baran. Appropriately enough, Baran chose as the epigraph for his book *Monopoly Capital* (written with Paul Sweezy) Hegel’s dictum “The Truth is the Whole.” And fortunately for our purposes, Baran’s writing is a particularly egregious example of this form of reductionist historiography.

Taking the case of Indian economic development, Baran makes of the country under the pressure of British imperialism a *tabula rasa* such that whatever the land’s problems past or present, they spring directly from this foreign presence. In a passage extraordinary in its exaggeration, he writes:

Thus, the British administration of India systematically destroyed all the fibres and foundations of Indian society. Its land and taxation policy ruined India’s village economy and substituted for it the parasitic land-owner and moneylender. Its commercial policy destroyed the Indian artisan and created the infamous slums of the Indian cities filled with

<sup>12</sup> Georg Lukacs, “Rosa Luxemburg, Marxiste,” in *Histoire et conscience de classe* (Paris: Editions de Minuit 1960), 47-48.

<sup>13</sup> Wallerstein, “The Rise and Future Demise of the World Capitalist System,” *Comparative Studies in Society and History*, xvi (September 1974), 390.

millions of starved and diseased paupers. Its economic policy broke down whatever beginnings there were of an indigenous industrial development and promoted the proliferations of speculators, petty businessmen, agents, and sharks of all descriptions.<sup>14</sup>

Baran speculates on what India's fate might have been without the British: "Indeed, there can be no doubt that had the amount of economic surplus that Britain has torn from India been invested in India, India's economic development to date would have borne little similarity to the actual somber record. . . . India, if left to herself, might have found in the course of time a shorter and surely less tortuous road toward a better and richer society."<sup>15</sup>

But surely this account—which is based on virtually no hard evidence—imputes far too much power (for evil or otherwise) to the British. Thus, despite his allegation that India without the British might have found its own autonomous way to industrial development with less human suffering, Baran makes no effort to assess the probability that Mogul India could have accomplished such a transformation or to evaluate what price the pre-British system exacted from its subjects. Life was surely not easy under the Moguls. Warfare was constant, particularly in the years preceding the British takeover, and the levels of taxation were quite high. The most significant accounts of which I am aware dismiss the likelihood that pre-British India had any capacity for sustained economic change. As M. D. Morris writes, "The British did not take over a society that was 'ripe' for an industrial revolution and then frustrate that development. They imposed themselves on a society for which every index of performance suggests the level of technical, economic and administrative performance of Europe five hundred years earlier."<sup>16</sup>

It is not at all accurate to suggest, as Baran so adamantly does, that pre-British India was without original sin or that the British were the authors of unmitigated evil. "Parasitic landowners and moneylenders" were not unknown before the British set foot on the subcontinent; British "commercial policy" is now thought by some to have "destroyed" far fewer artisans than was previously believed; British economic policy surely did more to create the foundations for industrial society in India than to "break down whatever beginnings there were" (however much the effort fails by comparison with Meiji Japan);

<sup>14</sup> Paul Baran, *The Political Economy of Growth* (2d ed.; New York: Monthly Review Press 1962), 149.

<sup>15</sup> *Ibid.*, 150.

<sup>16</sup> Morris D. Morris, "Towards a Reinterpretation of Nineteenth-Century Indian Economic History," *Indian Economic and Social History Review*, v (March 1968), 6-7.

British "land and taxation policy," far from "ruining" the village economy, was surely less exploitive than that of the Great Mogul and probably provided for a modest per capita increase of income during the nineteenth century; and British "administration" did not destroy "all the fibres and foundations of Indian society," but actually accommodated itself rather well to indigenous ways in the manner of most conquerors of large populations.<sup>17</sup> Of course there is no particular reason to sing hosannas about the British presence. For example, British rule clearly inhibited industrialization in the late-nineteenth century: the efforts of the Lancashire cotton processors especially were successful in keeping Indian customs duties low until World War I, and so stunted the growth of Indian manufactures.<sup>18</sup> But as the Great Mutiny of 1857 demonstrated, India herself possessed strong forces resisting change. In what seems to be a balanced judgment of the forces guiding India's development, Barrington Moore puts the effects of British policy within the context of the persisting strength of indigenous practices and institutions:

In addition to law and order, the British introduced into Indian society during the nineteenth century railroads and a substantial amount of irrigation. The most important prerequisites for commercial agricultural and industrial growth would seem to have been present. Yet what growth there was turned out to be abortive and sickly. Why? A decisive part of the answer, I think, is that *Pax Britannica* simply enabled the landlord and now also the moneylender to pocket the surplus generated in the countryside that in Japan paid for the first painful stages of industrialization. As foreign conquerors, the English were not in India to make an industrial revolution. They were not the ones to tax the countryside in either the Japanese or the Soviet fashion. Hence, beneath the protective umbrella of Anglo-Saxon justice-under-law, parasitic landlordism became much worse than in Japan. To lay all the blame on British shoulders is obviously absurd. There is much evidence . . . to demonstrate that this blight was inherent in India's own social structure and traditions. Two centuries of British occupation merely allowed it to spread and root more deeply throughout Indian society.<sup>19</sup>

<sup>17</sup> See Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press 1966), chap. 6; Angus Maddison, *Class Structure and Economic Growth: India and Pakistan since the Moghuls* (London: Allen and Unwin 1971); Morris (fn. 16), and "Trends and Tendencies in Indian Economic History," *Indian Economic and Social History Review*, v (December 1968).

<sup>18</sup> Romesh Dutt, *The Economic History of India: In the Victorian Age, 1837-1900* (2d ed.; Delhi: Ministry of Information and Broadcasting, Government of India 1970), Book II, chap. 12, and Book III, chap. 9; Daniel Houston Buchanan, *The Development of Capitalistic Enterprise in India* (New York: Macmillan 1934), 465-67.

<sup>19</sup> Moore (fn. 17), 354-55.

When Baran takes up the question of the reasons for the success of Japanese industrialization, he advances the same reductionist formula: once again the part (Japan) disappears into the momentum of the whole (the dynamism of expansionist capitalistic imperialism):

What was it that enabled Japan to take a course so radically different from that of all the other countries in the now underdeveloped world? . . . reduced to its core, it comes down to the fact that Japan is the only country in Asia (and in Africa or in Latin America) that escaped being turned into a colony or dependency of Western European or American capitalism, that had a chance of independent national development.<sup>20</sup>

In explaining why Japan was not so incorporated, Baran refers once more to the properties of the international system: its preoccupation with other parts of Asia, its conviction that Japan was poor in markets and resources, its internal rivalries. That Japan may have escaped colonial rule and initiated the single successful attempt to industrialize outside of North America and Europe in the nineteenth century for reasons having to do with forces internal to the country is an idea to which Baran does not pay the slightest heed. Indeed, he is so ignorant of conditions in late Tokugawa Japan that he calls the Meiji Restoration a bourgeois revolution.

There is no doubt that the international system under the expansionist force of European and American capitalism has had an impact on the internal development of technologically backward areas of the world over the last two centuries. Dependency theorists make us aware how intense and complex these interactions were (and still are), and there is substance to their criticism that development literature as it is currently written in the United States tends to mask these linkages for its own ideological reasons.<sup>21</sup> Nor is my objection to the simple omission of evidence relevant to the construction of an historical argument. Selective judgment in the presentation of material is an inevitable part of the study of history. Rather, the objection is to a certain style of thinking which—to use two of the dependency school's favorite words—is biased and ideological, distorting evidence as much in its fashion as the “bourgeois science” that it claims to debunk.

As I suggested earlier, the chief methodological error of this kind of writing is to deprive local histories of their integrity and specificity, thereby making local actors little more than the pawns of outside

<sup>20</sup> Baran (fn. 14), 158.

<sup>21</sup> André Gunder Frank, “Sociology of Underdevelopment and Underdevelopment of Sociology,” in Cockcroft (fn. 6); Susanne J. Bodenheimer, *The Ideology of Developmentalism: The American-Paradigm-Surrogate for Latin American Studies* (Beverly Hills, Calif.: Sage Professional Papers in Comparative Politics 1971).

forces. Feudalism as a force in Latin America? Nonsense, says Frank (to be applauded by Wallerstein); since capitalism has penetrated every nook and cranny of the world system, the concept of feudal relations of production cannot be validly used.<sup>22</sup> Destroy the particular, exalt the general in order to explain everything. Cite Hegel: "The Truth is the Whole." Tribalism as a force in Africa? Colin Leys cannot even bring himself to use the word without putting it in quotation marks, asserting that "among Africanists [this] point . . . perhaps no longer needs arguing." "Tribalism," Leys maintains, "is a creation of colonialism. It has little or nothing to do with pre-colonial relations between tribes. . . . In neo-colonial Africa, class formation and the development of tribalism accompany each other."<sup>23</sup> Why? Because the logic of the whole (capitalist colonialism) has found it expedient to work its will in the part (Africa) through creating, virtually *ex nihilo*, the divisive force of "tribalism." By such reckoning, all the social structures in history after a certain low level of development in the division of labor could be dissolved—feudal and bureaucratic estates, castes and clans, as well as tribes—in favor of class analysis, the only "real" social formation.

Because this approach is formulistic and reductionist, it is bad historiography. It is formulistic in the sense that it seeks to specify universal laws or processes in blatant disregard of the singular or the idiosyncratic. By the same token it is reductionist, since it forces the particular case to express its identity solely in the terms provided by the general category. The error of this approach is not that it draws attention to the interconnectedness of economic and political processes and events in a global manner, but that it refuses to grant the part *any* autonomy, *any* specificity, *any* particularity independent of its membership in the whole. Such writing is tyrannical. And it has its ties, I suspect, with other ways in which these writers view history. Thus, as late as 1962, in the preface to the second edition of *The Political Economy of Growth* (much lauded by dependency theorists), Paul Baran gives his *nihil obstat* to Stalin's forced industrialization of the Soviet Union in terms that depend for their authority on the author's ability to "totalize," to grasp the logic of the whole.<sup>24</sup>

<sup>22</sup> André Gunder Frank, "The Development of Underdevelopment," and "Economic Dependence, Class Structure, and Underdevelopment Policy," in Cockcroft (fn. 6); Wallerstein (fn. 13). For criticism of Frank's view, see Ernesto Laclau, "Imperialism in Latin America," *New Left Review*, Vol. 67 (May-June 1971); Michael Barratt Brown, *The Economics of Imperialism* (New York: Penguin Books 1974), chap. 11.

<sup>23</sup> Colin Leys, *Underdevelopment in Kenya: The Political Economy of Neo-Colonialism, 1964-1971* (Berkeley: University of California Press 1974), 198-99.

<sup>24</sup> Baran (fn. 14), xxxvi.

The problem of the relationship of the whole to the parts is, of course, a recurrent one in the social sciences. The only key to understanding their interaction, so far as I am aware, is to recognize that, while the whole does have a logic undiscernible from analysis of the parts considered separately, the parts too have an identity that no amount of understanding of the whole will adequately reveal. In his monumental *Critique de la raison dialectique*, Jean-Paul Sartre makes a telling criticism of Marxists who make "a fetish of totalizing." He illustrates it with an example of the problem of relating an individual biography to a social milieu: "Valéry is a petit bourgeois intellectual, no doubt about it. But not every petit bourgeois intellectual is Valéry. The heuristic inadequacy of contemporary Marxism is contained in these two sentences."<sup>25</sup> Part and whole must be comprehended at the same time as an aspect of each other and as analytically autonomous—although the degree of relative independence will obviously be more or less complete depending on the historical moment. The theoretical consequences are clear: systems composed of complex parts may expect change to come not only from the evolution of the whole (considered dialectically or otherwise), or from outside influences in the form of the impingement of other systems, but also from developments *within the parts* whose movements are endogenously determined. Therefore, in studying the changing configurations of power in North-South relations over the past several decades, we must be aware not only of the way the system is changing overall (for example, in terms of the growing role of the multinational corporation), or of the way the system is being challenged from outside itself (such as in the arms race with the Soviet Union), but also of the manner in which the units within it (both North and South) are evolving in response to locally determined forces whose ultimate development may have profound effects on the greater system outside. Historical analyses that hold to these premises may be difficult to write, since lines of movement tend to become more numerous and more difficult to see synthetically. But only such a form of writing can hope to portray at all adequately the complexity that history actually is.

## II

At the risk of sounding hopelessly old-fashioned, I would suggest that, in order to understand the nature of their specificity apart from

<sup>25</sup> Sartre, *Critique de la raison dialectique* (Paris: Gallimard 1960), 44. For a criticism of Sartre on precisely the grounds that he also rides roughshod over the individual case on occasion, see Tony Smith, "Idealism and People's War: Sartre on Algeria," *Political Theory*, 1 (November 1973).

the international system, the primary single structure of southern countries to be studied is the organization of the state. Even in colonial situations, where the apparatus of the state was under foreign control at the highest levels, the natives invariably wielded significant power at lower levels of the government and in a variety of informal ways. Indeed, it was precisely these constellations of interests accommodating or opposing foreign rule that made for many of the significant differences in the pattern of postwar decolonization.<sup>26</sup> For the colonial regimes themselves had never amounted to more than a thin crust of European officials and officers atop complex networks of local collaborating groups. In the case of India, for example, Mahatma Gandhi tirelessly pointed out to his fellow countrymen that, in the 1930's, a mere 4,000 British civil servants assisted by 60,000 soldiers and 90,000 civilians (businessmen and clergy for the most part) had billeted themselves upon a country of three hundred million persons. The British had constructed a delicately balanced network through which they gained the support of certain favored economic groups (the zamindars acting as landed tax collectors in Bengal, for example), different traditional power holders (especially the native princes after the Great Mutiny of 1857), warrior tribes (such as the Sikhs of the Punjab), and aroused minority groups like the Muslims. Such a brokerage system was to be found in every colonial territory. In some there was a foreign economic presence: the Chinese in Vietnam, Malaya, and Indonesia; the Asians in East Africa; the Levantines in West Africa; the European settlers in Kenya and Algeria. In other cases, there were alliances with traditional ruling groups: the Native Authorities in Nigeria, the Princely States in Malaya, the imperial bureaucracies in Tunisia and Morocco, the Hashemite family in the Fertile Crescent, the ruling cliques in Cochin China and Tonkin which were interested in acting independently of Hue. Still another source of support came from the oppressed groups who found their rights protected and their interests secured by foreigners: Muslim sects in the Levant, Jews in Algeria, Christians in many parts of Asia and Africa. Simple rivalries also played their part: the *politique des races* practiced by Gallieni in Madagascar, or the support of competing religious brotherhoods in the British Sudan and French North Africa. There also were the agents of Western ways: caids in North Africa, native schoolteachers in West Africa, and economic middlemen (compradors). The latter entered into important collaboration with European overseas expansion when a rich Hindu

<sup>26</sup> See Tony Smith, "A Comparative Study of French and British Decolonization," *Comparative Studies in Society and History*, xx (January 1978).

merchant failed to bring his army to the support of his Muslim overlord, the Nabob of Bengal, thereby assuring Robert Clive's great victory at Plassey in 1757. This description should not give the illusion of a system of permanent alliances: old friends could become new enemies and old enemies new friends on the shifting grounds of political competition; ultimately, the collaborative networks found themselves superseded by indigenous forces determined to achieve independence. Thus, even when they failed to control the heights of the state, native political forces played a fairly powerful role in the colonies; it was their character and structure that profoundly influenced the process of decolonization.

Just as the variety of local political structures working for or against colonial rule must be understood in order to make sense of the intricate pattern of decolonization, so the range of state structures in the South in the nineteenth and twentieth centuries is the best general organizational feature for sorting through the wide number of cases involved and for making sense of their experience. The spectrum of state structures extends from those that are clearly the paramount power within their society (monopolizing the means of violence and thereby enforcing a complete set of rules ranging from property ownership to the way political participation is permitted) to those that are states in little more than name, lacking either the party or the bureaucratic structures that would give them the scope of local control properly incumbent upon a state. Yet even in these latter cases (except perhaps for a few extreme examples among the sheikdoms of the Arabian Peninsula or in the poorest parts of Africa) the existence of an indigenously controlled state does insulate the local society from the international system in a manner greater than was true under direct colonial rule. Short of military intervention, the leverage of the outside is significantly reduced, since foreign ties with local groups are in general restricted to certain economic interests and occasional religious bodies. Foreigners have neither the scope nor the intensity of ties within the independent southern country which they had under colonialism. Moreover, the power capacity of local interests and the state tends to grow as bureaucrats in the government and the army, jealous of their positions, show themselves likely to act on behalf of foreigners only when such behavior coincides with their own interests. Thus, no matter how great the diversity among southern countries, they almost all have a state apparatus that depends on the aggregation of at least some local interests and is possessed of the ability to take at least some in-



itiatives in regard to domestic and international issues. In this respect, the use of the word "neocolonial" is misleading to the extent that it suggests—as it apparently does to many—that the political distinctions between independent and colonial status are trivial. Surely Kwame Nkrumah overstated the case when he wrote in 1965, "The essence of neo-colonialism is that the State which is subject to it is, in theory, independent and has all the outward trappings of international sovereignty. In reality its economic system and thus its political policy is directed from outside."<sup>27</sup>

Many dependency theorists, seemingly persuaded of the correctness of the traditional Marxist reduction of the state to an administrative body of the ruling class, either overlook the function of the state entirely, or dismiss it as historically insignificant, or recognize its importance only to reduce it forthwith to a product of the international system. Thus, writing on the fate of independent Africa in relation to the world order, Frantz Fanon calls for a strong state, able to protect the nation from imperialist designs and improve the quality of life for the mass of the population; what he actually sees are weak governmental bodies, the servants of a new African bourgeoisie which itself has entirely sold out to foreign interests:

The national middle-class which takes over power at the end of the colonial regime is an under-developed middle-class. It has practically no economic power, and in any case it is in no way commensurate with the bourgeoisie of the mother country which it hopes to replace. . . . Since the middle-class has neither sufficient material nor intellectual resources . . . it limits its claims to the taking-over of business offices and commercial houses formerly occupied by the settlers. From now on it will insist that all the big foreign companies should pass through its hands, whether these companies wish to keep their connections with the country, or to open it up. The national middle-class discovers its historic mission: that of intermediary.<sup>28</sup>

In this descriptive account of a number of post-independence African regimes, Fanon is undoubtedly correct. But as an analytical principle for the study of Third World countries past, present, and future, his point is surely inadequate.

Nevertheless, it is precisely as an analytical point that Immanuel Wallerstein means to press the issue. He writes:

. . . the world-economy develops a pattern where state structures are relatively strong in the core areas and relatively weak in the periphery.

<sup>27</sup> Kwame Nkrumah, *Neo-Colonialism: The Last State of Imperialism* (New York: International Publishers 1966), ix.

<sup>28</sup> Frantz Fanon, *The Wretched of the Earth* (New York: Grove Press 1966), 122.

. . . What is necessary is that in some areas the state machinery be far stronger than in others. What do we mean by a strong state-machinery? We mean strength vis-à-vis other states within the world-economy including other core-states, and strong vis-à-vis local political units within the boundaries of the state.<sup>29</sup>

Apparently not even these strong states can compare with the real mover of international affairs—the dynamic of economic forces: “It is the social achievement of the modern world, if you will, to have invented the technology that makes it possible to increase the flow of surplus from the lower strata to the upper strata, from the periphery to the center, from the majority to the minority, by eliminating the ‘waste’ of too cumbersome a political superstructure.”<sup>30</sup> Thus, Charles V was the last to make the impossible attempt of putting the entire economic apparatus of the West under a single political authority. The present eclipse of the United States, Wallerstein believes, should in no way endanger the system: “such a decline in United States state hegemony has actually *increased* the freedom of action of capitalist enterprises, the larger of which have now taken the form of multinational corporations. . . .” Indeed, he minimizes the role of the state to such an extent that he can say: “There are today no socialist systems in the world economy any more than there are feudal systems because there is one world system. It is a world-economy and it is by definition capitalist in form.” But history does not move blindly, free of human agency. If not states, then what social force coordinates this activity, fights its battles, projects it into the future? The obvious answer is class:

We must maintain our eye on the central ball. The capitalist world economy as a totality—its structure, its historic evolution, its contradictions—is the arena of social action. The fundamental political reality of that world-economy is a class struggle which, however, takes constantly changing forms: class-consciousness versus ethno-nationalist consciousness, classes within nations versus classes across nations.<sup>31</sup>

As we have seen, this set of assumptions is somewhat similar to that of many dependency theorists who make little reference to the state and hold that the international system has established its interests locally through the medium of an alliance with the dependent classes of the Third World.

Although there may be many instances when state action is not important, Wallerstein’s abrupt dismissal of the potential significance of

<sup>29</sup> Wallerstein (fn. 11), 355.

<sup>30</sup> *Ibid.*, 15-16.

<sup>31</sup> Wallerstein (fn. 13), 412, 415; Wallerstein “Class Formation in the Capitalist World-Economy,” *Politics and Society*, v (No. 3, 1975), 375.

the state is in error. I have recited his argument at some length in order to illustrate the theoretical importance of correctly understanding what a strong state may be able to accomplish. For even on his home ground, the sixteenth century, Wallerstein is surely wrong in his discussion of state power. As Theda Skocpol has pointed out, the strong states of the sixteenth century were not at the core (in England and Holland), but on the periphery (in Spain and Sweden). Holland was ruled by a federation of merchant oligarchs while the English crown, deficient in terms of a bureaucracy or a standing army, was beholden to merchants and local notables.<sup>32</sup> Later history substantiates Wallerstein's position no better. Alexander Gerschenkron has demonstrated that the "late industrializers" in every case were successful because of exceptionally strong state structures that were determined to modernize. One-time peripheral countries like Russia, Germany, and Japan could not possibly have developed as they did without the vigorous leadership of the state.<sup>33</sup> Nor is it clear today that the state structure of the United States corresponds to the Leviathan one might expect of the "core country of the world-economy" any more than that many governments on the periphery are the weak structures which Wallerstein declares them to be.

Granted, some of the literature associated with dependency does recognize the importance of southern states. But in its discussion, these governments sound more like products of the international system than of local circumstances; thus it loses by one set of assumptions part of what it has gained from another set. A large number of essays and books appearing in recent years on Latin America have maintained that the "bureaucratic-authoritarian" or "authoritarian-corporatist" regimes so prevalent there since the mid-1960's are the most recent result, in the words of Philippe Schmitter, of situations of "delayed, dependent capitalist development and non-hegemonic class relations."<sup>34</sup> In an essay on authoritarian government in Brazil, Argentina, and Mexico, Robert R. Kaufman, drawing heavily on the work of Guillermo O'Donnell, comes to much the same conclusion: "such regimes are linked to a particular phase (or crisis) of capital accumulation en-

<sup>32</sup> Theda Skocpol, "Wallerstein's World Capitalist System: A Theoretical and Historical Critique," *American Journal of Sociology*, Vol. 82 (March 1977), 1083ff.

<sup>33</sup> Alexander Gerschenkron, "Economic Backwardness in Historical Perspective," in *Economic Backwardness in Historical Perspective* (Cambridge: Harvard University Press 1963).

<sup>34</sup> Schmitter, "Still the Century of Corporatism?" *Review of Politics*, xxxvi (January 1974), 108. Also see fn. 35.

countered in the maturation of dependent industrializing economies"; he points out that their advent is related to increasing local investments by multinational corporations.<sup>35</sup> And several contributors to an anthology of essays on Latin American authoritarianism observe that since this kind of regime occurs not only in South America, but in other parts of the Third World, what they all have in common is their dependent status internationally. *Ergo*, the character of the world system is said to be the factor that is basic to the genesis of all authoritarian Third-World regimes. O'Donnell asserts that the focus of his work is on Latin America "only in a trivial sense; the pertinent historical context is provided by the political economy of nations that were originally exporters of primary materials and were industrialized late, but extensively, in a position of dependency upon the great centers of world capitalism."<sup>36</sup>

It should be emphasized that these authors do not intend to provide a simplistic explanation of how the dependent status of these countries engendered authoritarian regimes. From their perspective, the fact that the United States reacted to Castro's coming to power by increasing aid to the militaries of Latin America, thereby encouraging them to topple civilian governments, is only incidental to the process. They point to the long-term evolution of South America's social structure, insisting that the strains and tensions that were the product of dependent development set the stage for the wave of authoritarian regimes of the past fifteen years. The indirect molding power that the North exercised through the international economic system did more to cause these developments than direct political intervention alone could have accomplished.

But the obvious question is by what line of reasoning we are brought to see that authoritarianism grew out of dependency; that in assigning relative weights of importance to domestic and external factors in such developments, it is the latter that emerge as decisive. Is there not historical evidence—provided, for example, by Germany and Japan

<sup>35</sup> See Kaufman, "Mexico and Latin American Authoritarianism," in José Luis Reyna and Richard S. Weinert, eds., *Authoritarianism in Mexico* (Philadelphia: Institute for the Study of Human Issues 1977), 195, and the chart derived from O'Donnell, 197. Nevertheless, neither Kaufman nor Schmitter should be classified as dependency theorists: see Kaufman (fn. 1), and Schmitter, "Desarrollo retrasado, dependencia externa y cambio político en América Latina," *Foro Internacional*, xii (December 1971).

<sup>36</sup> Guillermo O'Donnell, "Corporatism and the Question of the State," in James M. Malloy ed., *Authoritarianism and Corporatism in Latin America* (Pittsburgh: University of Pittsburgh Press 1977), 54. For similar observations in the same volume, see Silvio Duncan Baretta and Helen E. Douglass, "Authoritarianism and Corporatism in Latin America: A Review Essay."

—to suggest that authoritarian regimes do not reflect dependency but the effort to avoid subordination? And does the case of India not suggest that at times dependency has contributed to liberal forms of government outside Europe? More to the point, there are reasons to link authoritarian governments in Latin America to domestic rather than to foreign causes. One internal factor (usually conceded by dependency theorists themselves) is that three hundred years of rule by Catholic Spain and Portugal left Latin America a legacy of authoritarian government complete with a corporatist ideology. The vertical ties of patron-client relations for which the continent is well known, especially in its agrarian structures, and the traditions of regional caudillo rule must have made their contribution to the form of governments we see today.

Or we could move forward in time, pointing out that the political heritage of the last hundred years set the pattern for authoritarian government in more recent years. For example, both Lorenzo Meyer and Roger Hansen see more continuity than change in style between the Porfiriato (1876–1910) and present-day government in Mexico.<sup>37</sup> An even better line of reasoning linking Latin American authoritarianism to domestic factors would be to maintain that it is the fruit of unsuccessfully resolved problems born of the populist nationalism common to most of the continent after 1930. World War I and especially the Great Depression brought populist leaders such as Vargas and Perón to the fore in Latin America; they were opposed to foreign influence and its local collaborators (chiefly the landed oligarchs of the export sector), and committed to developing their countries through import substitution industries. In this sense, Latin America “decolonized” in the 1930’s; populist nationalism appeared triumphant. By the 1950’s, import substitution had exhausted itself as a means of domestic economic expansion; at the same time, the market for Latin exports weakened, thus beginning a period of decline in the terms of trade for these commodities. The result was economic crisis.

The civilian governments in power proved unable either to correct the situation or to muster enough support to ensure stability. The drastic inflation rates of the period were symptoms of the government’s trying to please rival sectors of the polity. Ultimately, the situation was

<sup>37</sup> Meyer, “Historical Roots of the Authoritarian State in Mexico,” in Reyna and Weinert (fn. 35). Meyer speaks of Díaz’s “inability to transform an authoritarian situation into an authoritarian system” and states that “the Mexican Revolution did not destroy the authoritarian nature of Mexican political life, it modernized it” (pp. 9, 4); Roger Hansen, *The Politics of Mexican Development* (Baltimore: The Johns Hopkins Press 1971), 149.

exacerbated to the point that the populist alliance disintegrated, with the middle and upper classes choosing authoritarian military governments over their quasi-democratic republican predecessors. This choice provided stability, but it did not ensure growth. Only when the authoritarian governments enlisted the multinational corporate community in their development drives could the Latin American economies once again experience expansion at a significant pace. In this (admittedly schematic) account, it is unquestionably the domestic factors that emerge as the predominant force behind the creation of authoritarian states—however much one may wish to blame external influences for making the failure of populist ambitions inevitable and for supplying aid to military dictatorships once the crisis had come. For populism *itself* bred corporatist government, albeit of the kind that initially included significant mass participation. As the governing structure was elaborated, however, it became fairly easy to exclude this same political membership. Argentina and Brazil certainly fit this pattern, but the case of Mexico is especially clear-cut: the Partido Revolucionario Institucional which has ruled Mexico since the Revolution (under various appellations) took its most important steps toward institutionalizing itself in its present corporatist form around 1938, at the very time the Cárdenas Government was dramatically bearding Washington with its expropriations of American utility and oil companies in Mexico. The chief explanation for the contemporary spread of authoritarianism through the continent is not the dependent status of Latin America internationally, but the internal evolution of its social and political forces.

Histories of the nineteenth century have too often painted the states of the pre-industrial world in drab, uniform colors, depicting them as *reacting* to European expansion in a helpless manner, rather than as active centers of development in their own right. But the power of the Great Mogul in Delhi was already in disarray by 1757—the date of Clive's victory—as a result of maladministration and the incursions of the Persians, Afghans, and especially Marathas over the preceding decades. Similarly, in West Africa, former slave kingdoms such as Dahomey, Bonny, and Lagos had successfully converted their economic base to the export of palm oil and groundnuts; but in the latter part of the nineteenth century they proved quite unable to administer the hinterlands effectively when new European steamships began to ply the upstream waters and caused struggles with the African middlemen who were handling this trade. Even with more effective governments, Africa might not have been treated as Latin America was after 1875;

but the fact that these African states were relatively rudimentary institutions surely contributed to the Partition.<sup>38</sup>

By contrast, the Ottoman state in the 1800's was a complex, long-lived institution; but when the pressures of Western expansion reached it in earnest, it proved unable to reverse a decline of some two hundred years. In contrast to Tokugawa Japan which, while also in decline, had, in the words of Barrington Moore, been sapped by more than two hundred years of "peace and luxury," the Sublime Porte entered the nineteenth century after more than two hundred years of internecine warfare and economic decay. Admittedly, the Anglo-Turkish Commercial Convention of 1838 and the large debts to foreign creditors that the Sultan ran up later in the century played a part in making the Empire more difficult to hold together. But were these factors more the cause or the effect of a deficient state authority? Surely it is the effect that deserves the emphasis.

There seems to be no disagreement among historians that, by the seventeenth century at the latest, the state left by Suleiman at his death in 1566 was in decline. An attempt by Selim III to imitate Peter the Great and to modernize defensively in order to protect his realm against Russia and the West met with defeat in 1808 when the Janisaries (backed by religious authorities) assassinated him. The state's next ambitious attempt at reform, the Tanzimat proclaimed in 1839 under Abdul Medjid, achieved some notable results, but it proved quite unable to live up to the expectations of its creators—not because of foreign opposition (indeed, Britain and France were eager for the reforms to succeed in order to build Turkey up against Russian expansion), but because the Ottoman government could not overcome *internal* obstacles to the Tanzimat's proposals. It was not until Kemal Atatürk took charge of the Turkish government after World War I that the state gained the strength to define its objectives and to attain them as the result of a concerted effort at internal reform.<sup>39</sup>

<sup>38</sup> Kenneth Onwuka Dike, *Trade and Politics in the Niger Delta, 1830-1885* (New York: Oxford University Press 1956); C. W. Newbury and A. S. Kanya-Forstner, "French Policy and the Origins of the Scramble for West Africa," *Journal of African History*, x (No. 2, 1969); A. G. Hopkins, *An Economic History of West Africa* (London: Longman 1973), chap. 4.

<sup>39</sup> Frank Edgar Pailey, *British Policy and the Turkish Reform Movement: A Study in Anglo-Turkish Relations, 1826-1853* (New York: Howard Fertig 1970); Z. Y. Hershlag, *Introduction to the Modern Economic History of the Middle East* (Leiden: E. J. Brill 1964); Charles Issawi, ed., *The Economic History of the Middle East, 1800-1914* (Chicago: University of Chicago Press 1966); Stanford J. Shaw, "The Nineteenth-Century Ottoman Tax Reforms and Revenue System," *International Journal of Middle East Studies*, vi (October 1975); Edward C. Clark, "The Ottoman Industrial Revolution," *International Journal of Middle East Studies*, v (January 1974); Z. Y.

What a more powerful state might have accomplished in the Middle East is suggested by the history of the amazing Albanian adventurer Mehemet Ali, who became pasha, and then viceroy, of Egypt. Having arrived in Egypt in 1801 with the Ottoman forces that were to reclaim the land after Napoleon's withdrawal, Mehemet Ali managed to gather a following around himself; in 1811, he completed the work of internal reform of the local elite structure by smashing the Mameluke ruling class and emerging as the undisputed leader of the land. Ali was thereupon free to begin an effort which can be best described as the forced industrialization of Egypt. His state created marketing monopolies in agriculture, and dramatically increased the production of export crops, particularly cotton. With the substantial revenues gained from these sales abroad, the state created protected industrial monopolies within Egypt. By the 1830's, there was a work force of at least 30,000 in modern iron foundries, cotton mills, ammunition works, and a shipyard. Industrial employment did not reach this figure again for nearly a century.<sup>40</sup>

The obstacles Ali faced were tremendous. Egypt in 1800 was a very backward land. Its population, between six and seven million in Roman times, now numbered no more than two-and-a-half million. Wheeled vehicles were unknown, transportation unsafe, and the formerly great city of Alexandria had a citizenry of only 8,000 living in its ruins. But if these internal factors did not cause Ali's fall, his overweening ambitions to claim for himself the entire Ottoman Empire finally did. In 1831, under the pretext of pursuing 6,000 escapees from forced labor in Egypt into Syria, Ali began the first of two campaigns whose ultimate goal was to take Constantinople. The result was consternation in Europe, as Britain and France saw Russia offer its aid in defense of the Sultan. A second campaign, begun at the end of the decade, finally prompted British intervention; in 1842, Ali was obliged to reduce the size of his army (the chief market for his factory production) and to dismantle his industrial monopolies, permitting the import of cheap European goods.

Now the stage was set for the "underdevelopment" of Egypt, much

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Hershlag, *Turkey: The Challenge of Growth* (Leiden: E. J. Brill 1968); Ellen Kay Trimberger, *Revolution from Above: Military Bureaucrats and Developments in Japan, Turkey, Egypt, and Peru* (Edison, N.J.: Transaction Books 1977).

<sup>40</sup> Charles Issawi, *Egypt in Revolution: An Economic Analysis* (New York: Oxford University Press 1963), chaps. 1 and 2; A. E. Crouchley, *The Economic Development of Modern Egypt* (London: Longmans, Green 1938), chap. 2; *Encyclopaedia Britannica*, 11th ed., xviii, s.v. "Mehemet Ali." The figures for industrial workers may be found by comparing Hershlag, *Introduction* . . . (fn. 39), 86, with Issawi, 43.



in the manner schematized by the dependency school. Ali's successors converted Egypt into a single-crop export economy based on cotton, and contracted larger debts than they could repay. Ultimately, the nationalist reaction to these foreign pressures alarmed the British to such an extent that they saw no choice but to occupy Egypt in order to assure the security of the Suez Canal. "It would be detrimental to both English and Egyptian interests to afford any encouragement to the growth of a protected cotton industry in Egypt," wrote Lord Cromer, Consul General of Egypt in 1891. During his tenure in office (1883-1907), Cromer refused to protect any Egyptian manufacturers, going so far as to levy an excise tax on certain products made within Egypt so that they had no protection behind a revenue-raising import duty.<sup>41</sup> It was not until 1920, with the founding of the Bank Misr by Egyptian capital, that a stable foundation was finally provided for the growth of an Egyptian entrepreneurial class. Tariff autonomy (1930) and fiscal autonomy (1936) followed, permitting the Egyptian state to take a more forceful hand in the country's economic development. Thereafter, as Charles Issawi reports, there was a shift of economic power in three primary directions: of business over landed interests; of national over foreign investment; of state over private initiative. After Nasser came to power and the Suez Invasion of 1956, the role of the state emerged as the decisive element in Egypt's economic development.<sup>42</sup> One can, to be sure, mark the principal periods of Egyptian economic activity in terms of the movements of the international system. But I would suggest that a better way to understand the Egyptian experience is by reference to the vicissitudes of the Egyptian state.

Certainly the ability of Japan to industrialize and to become in its turn an important member of the international community cannot be understood apart from the actions of the state. For in the aftermath of the Meiji Restoration (1868), it was the state, acting on behalf of the nation and not at the behest (although in the interests) of any particular group or class, that undertook a fundamental reordering of the Japanese government and economy. It was the state that insisted on agrarian reform in order to accelerate industrial development; it was the state that invested in a whole range of industrial enterprises where merchant capital at first feared to enter; it was the state that absorbed

<sup>41</sup> E.R.J. Owen, "Lord Cromer and the Development of Egyptian Industry, 1883-1907," *Middle Eastern Studies*, II (July 1966).

<sup>42</sup> Robert L. Tignor, "Bank Misr and Foreign Capitalism," *International Journal of Middle East Studies*, VIII (April 1977); Charles Issawi, "Shifts in Economic Power," in Issawi (fn. 39), 505ff.

as many samurai as it could into its bureaucracies and broke the resistance of the rest; it was the state that began modern systems of banking, taxation, and education in Japan.<sup>43</sup> To be sure, these dramatic developments cannot be isolated from the assault Japan correctly feared from the international system, nor from the advantages given the state in its social and economic heritage from the Tokugawa period. But to underestimate the independent role of the state—to see developments in Japan as the product either of international factors alone or as the reflection of no more than domestic class interests—is to miss the central feature of Japan's exceptional economic performance.

By the middle of the nineteenth century, it was only in Latin America that a group of states had escaped direct colonial control and had also managed, in contrast to Peking and Constantinople, to expand their capacity to rule. A good part of the explanation surely has to do with the continent's geographic remoteness from the centers of geopolitical rivalry, and with the Monroe Doctrine which had a real, if limited, influence on keeping the area free of competitive annexations. But a more basic reason for the success of these states in establishing themselves locally had to do with the strength they drew from participation in the international system. In China, the Ottoman Empire, and Africa, the international connection functioned mainly *to undermine* the local political systems (however much the Europeans may have hoped to do otherwise); in Latin America, these same linkages worked instead *to reinforce* the position of the ruling elite. *Not so much designs formulated at the center, but rather conditions among the states on the periphery were the fundamental factors determining the impact of European economic power abroad.* As John Gallagher and Ronald Robinson put it in regard to the concerns of the British early in the century:

Ideally, the British merchant and investor would take into partnership the porteños of Argentina, the planters of Alabama, the railway builders of Belgium, as well as the bankers of Montreal and the shippers of Sydney. . . . At the same time, the trader and missionary would liberate the producers of Africa and Asia. The pull of the industrial economy, the prestige of British ideas and technology would draw them also into the Great Commercial Republic of the world. In time the "progres-

<sup>43</sup> Moore (fn. 17), chap. 5; Trimberger (fn. 39); Angus Maddison, *Economic Growth in Japan and the USSR* (London: George Allen & Unwin 1969); G. C. Allen, *A Short Economic History of Modern Japan: 1867-1937* (New York: Praeger 1962); Henry Rosovsky, "Japan's Transition to Modern Economic Growth, 1868-1885," in Rosovsky, ed., *Industrialization in Two Systems: Essays in Honor of Alexander Gerschenkron* (New York: Wiley 1966).

sive" native groups within the decaying societies of the Orient would burst the feudal shackles and liberalise their political and economic life. Thus the earlier Victorians hoped to help the Oriental, the African and the Aborigine to help themselves. Many would be called and all would be chosen: the reforming Turkish pasha and the enlightened mandarin, babus who had read Mill, samurai who understood Bentham, and the slaving kings of Africa who would respond to the Gospel and turn to legitimate trade.<sup>44</sup>

The history of nineteenth-century Africa and Asia is, of course, largely that of the failure of this dream. But the same is not true of British commerce with Latin America: although it eventually came to have a retarding influence on the industrialization of the continent, for a period it exercised a strong influence in favor of economic development. A simple comparison illustrates the point: by 1880, Egypt and Argentina had each received British investments totaling between 20 and 25 million pounds sterling, and each was permeated with foreign influence. Egypt was on the verge of collapse, however, while Argentina was moving into position to become Britain's most important economic satellite in South America. An observer interested in proving the all-pervasive power of the international system over the pre-industrial states within it might take the history of these two countries, *considered separately*, as proof of his argument. But I am more impressed with the *different impact* European expansion had on these two areas, and would suggest that a major explanation (certainly not the only one) has to do with internal differences between Egypt and Argentina, which can best be approached through a study of their respective state structures.

From the struggle for independence from Madrid, Spanish America had emerged economically impoverished and politically divided. Although Foreign Secretary Canning is widely quoted for his remark at the time that "Latin America is independent, and unless we mismanage our affairs she is English," the economic record suggests that this prize amounted to very little indeed until after the middle of the century.<sup>45</sup> By that time, a symbiotic relationship was establishing itself in which political stability in Latin America increased foreign economic interest in the continent in the form of loans and commerce; at the same time, these links to the outside provided assistance to the various

<sup>44</sup> John Gallagher and Ronald Robinson, *Africa and the Victorians: The Climax of Imperialism* (New York: Doubleday 1968), 3-4.

<sup>45</sup> D.C.M. Platt, *Latin America and British Trade, 1806-1914* (New York: Harper & Row 1973).

national governments intent on solidifying their power locally. Richard Graham describes the case of Brazil between 1850 and 1865:

Whereas up to that point the landed aristocrats had viewed the central government with suspicion—first as foreign and then as radical—they now saw it wedded to their own interests. They therefore submitted to the control of the central government and, by allowing the tradition of a centralized national administration to arise, unwittingly contributed to the weakening of their own position once the central government became more responsive to the pressures of rising urban groups.<sup>46</sup>

The emergence of the state in nineteenth-century Latin America was therefore characterized not only by its Iberian heritage and by its contemporary need to control a population that was geographically and especially ethnically quite heterogeneous (ranging from the Indian, mestizo, and creole populations in Mexico to the large number of slaves in Brazil), but also by its ability to create an economic basis for rule through sales to the international system. It is well to recall in this connection that the American Confederacy initially believed Britain would intervene on its behalf once the Union blockade of cotton exports was felt in Lancashire, and that Prime Minister Palmerston and Foreign Secretary Russell at first hoped for a Southern victory.

Yet I have difficulty in understanding by what obvious measure one can say that the British connection “delayed,” “distorted,” or “exploited” Latin American economic development. To be sure, trading interests within Latin America sought to obstruct high protective tariffs before the turn of the century and so might perhaps be viewed at first glance as “enemies within,” willing to sell out the national interest for their own private gain. Certainly most *dependencistas* suggest that this was the case. But, as Graham points out in his study of Brazil, whatever costs were thereby incurred must be weighed against the substantial benefits the international connection provided in economic terms. Indeed, it may well be that a closer analysis will reveal that what has been accepted as an article of faith—that it took the Great Depression, throwing Latin America on its own, to stimulate industrial production on the continent—is an exaggeration. For where is the evidence that Latin America was so in thrall to export interests that it lay completely open to a flood of cheap foreign manufactures—an argument almost invariably advanced by nationalists or Marxists. To the contrary, it should be recalled that tariffs on imports were the chief source of

<sup>46</sup> Graham, *Britain and the Onset of Modernization in Brazil, 1850-1914* (New York: Cambridge University Press 1968), 27-28.

revenue for these states in the nineteenth century. In 1870 in Argentina, for example, at least \$14 million of the \$14.8 million state budget came from trade duties. D. C. M. Platt writes:

It is clear that by the last decades of the nineteenth century there were no serious institutional obstacles to the development of manufacturing. In Mexico, at least, import substitution had become a prime element in government tariff policy, and to a lesser extent the same was true of the other Latin American nations with industrial pretensions—Brazil, Argentina, Chile, Peru.<sup>47</sup>

Nor was the phenomenon limited to Latin America. In the 1890's, the British found themselves obliged to impose excise taxes on Indian and Egyptian textile production in order to reduce the effect of the protection revenue duties on imports which worked to the detriment of the Lancashire cotton industry.<sup>48</sup> In other words, revenue tariffs were in effect protective walls for infant industries in these two countries, and probably in Latin America as well. Latin America may not have been the plaything of international economic forces to the extent often supposed. Indeed, it appears to Carlos Díaz Alejandro, one of the most respected historians of Latin American economic development, that in terms of economic rationality, Argentina probably withdrew overly from the international system. Comparing the case of Argentina to those of Canada and Australia in the twentieth century, Díaz writes:

The most ironic lesson of postwar Argentine experience is that if there had been less discrimination against exports, manufacturing expansion would have been greater. Indeed, the annual growth rate of manufacturing during 1900–1929 (5.6%) was higher than during 1929–1965 (3.7%). The ratio of imported to total consumption of manufactured goods probably would have been higher, but there is little to be said on economic grounds for minimizing this ratio.<sup>49</sup>

Of course it may be maintained that because Latin America did not grow economically along the lines of what is today called “basic human needs,” its development was “delayed” and “distorted.” For example, Rene Villarreal refuses to speak of “development”—as do many other dependency theorists—unless it involves full employment, equal income distribution, and external economic independence.<sup>50</sup> Ethically

<sup>47</sup> Platt (fn. 45), 78, 84.

<sup>48</sup> On Egypt, see Owen (fn. 41); on India, see Dutt (fn. 18), Book II, chap. 12, and Book III, chap. 9.

<sup>49</sup> Carlos F. Díaz Alejandro, *Essays on the Economic History of the Argentine Republic* (New Haven: Yale University Press 1970), 138; for his comparisons with Canada and Australia, see 110–14.

<sup>50</sup> Villarreal, “The Policy of Import-Substitution Industrialization, 1929–1975,” in Reyna and Weinert (fn. 35).

speaking, this concern with words may be commendable; but when matters of definition become the key issue, as they frequently do, it is fairly obvious that major issues of structural analysis are being lost sight of. That is not to say that moral concerns should not make themselves felt in the study of history, but rather that their pursuit should not interfere with our appreciation of structural historical development. To cite but one example, Bradford Burns describes early nineteenth-century Latin American economic development in the ambiguous language one finds recurrent in the literature:

The elite proudly regarded the new railroads, steamships, telegraph lines, and renovated ports as ample physical evidence of the progressive course on which their nations had embarked. In their satisfaction, they seemed oblivious to another aspect of modernization: that those very steamships, railroads, and ports tied them and their nations ever more tightly to a handful of industrialized nations in Western Europe and North America. . . . They failed to take note of the significance that many of their railroads did not link the principal cities of their nations but rather ran from plantations or mines directly to the ports, subordinating the goal of national unification to the demands of the industrial nations for agricultural products and minerals. As foreign investment rose, the voices of foreign investors and bankers spoke with greater authority in making economic decisions for the host countries. Local economic options diminished. In short, modernization magnified Latin America's dependency.<sup>51</sup>

The clear inference to be drawn from such writing is that the process victimized Latin America and that some alternative form of economic development was possible. But the author defends neither allegation. Was an alternate path available? In his own account Burns gives evidence aplenty that, following the struggle against Spain, national populations were small, the agrarian structures of the countries were rigid, political instability was rampant, and capital for investment simply did not exist in any quantity. Men can hardly be blamed for being "oblivious" to options that did not exist. Nor is it so apparent that the choices made victimized Latin America as a whole. Díaz writes that the rapidity of growth in Argentina from 1860 to 1930 "has few parallels in economic history," it was so rapid, and he points out the compelling logic of reliance on the international system:

Pre-1930 growth can be said to have been "export-led" [because] . . . exports and capital inflows led to an allocation of resources far more efficient than the one which would have resulted from autarkic poli-

<sup>51</sup> Burns, *Latin America: A Concise Interpretive History* (Englewood Cliffs, N. J.: Prentice-Hall 1972), 130-31.

cies. In particular, the domestic cost of capital goods, which would have been astronomical under autarky, say in 1880, was reduced to a low level by exports of commodities produced by the generous use of an input—land—whose economic value under autarky would have been quite small.<sup>52</sup>

With very good reason one may of course object that the social form economic development has taken in Latin America is ethically objectionable (and has been for some time). But to suggest—as many influenced by dependency theory appear to do—that because the social form is objectionable, growth itself was “delayed” and “distorted” is to mix the arguments, to draw empirical conclusions from normative premises in an unacceptable manner.

During the nineteenth century, world trade grew tremendously under the impetus of the industrial revolution, and European and American investments abroad grew apace. In 1820, world trade was valued at 341 million pounds sterling; by 1880, its value topped 3 billion pounds. In 1810, British investments abroad were approximately 10 million pounds sterling; by 1890, they approached 200 million and probably represented about half the European and American investments abroad.<sup>53</sup> How could this dramatic increase fail to have repercussions on the pre-industrial countries of the globe as the industrial leaders sought primary materials and markets as well as strategic vantage points in their competitive race? Indeed, any specific southern area *looked at in isolation* will show clear signs of the impact. But when the range of southern countries is *placed side by side*, what also emerges is the *variety* of responses to this global experience of the expansion of the industrial revolution. The Ottoman Empire disintegrated while Japan modernized successfully; Africa was partitioned while Latin American governments were more effectively expanding and consolidating their rule. Although the study of the international system as such may suggest some reasons for these differences, it is by no means able to substitute for an inspection of each specific case.

The key variable to be analyzed in order to explain these significant differences lies in the abilities and behavior of the various southern states as they encountered the technologically superior force of Europe

<sup>52</sup> Díaz (fn. 49), 2, 11. For a similar argument on Brazil, see Carlos Manuel Peláez, “The Theory and Reality of Imperialism in the Coffee Economy of Nineteenth-Century Brazil,” *Economic History Review*, xxix (May 1976).

<sup>53</sup> For trade figures, see E. J. Hobsbawm, *Industry and Empire* (London: Pelican 1969), 139, and J. Forbes Munro, *Africa and the International Economy, 1800-1960* (London: Rowman and Littlefield 1976), 40; for investment figures, see Michael Barrett-Brown, *After Imperialism* (New York: Humanities Press 1970), 93.

and the United States over the last century-and-a-half. Some states, such as the kingdoms of West Africa which had been built up partly through a preceding period of trade with the North, were taken by assault; others, like the Ottoman Empire and the Manchu Dynasty, collapsed—for reasons fundamentally caused more by internal factors than by the overwhelming power of the North; Japan managed to mount a rival industrial establishment; and the Latin American states drew strength from the international connection—albeit of a sort that made them satellites of the economic dynamism of the North. Both Theda Skocpol and Ellen Kay Trimberger have suggested that the key to whether a nineteenth-century agrarian order could preserve itself in the face of internal and external threats may lie in whether the state was functionally independent enough of the economic elite to take initiatives despite the opposition of this class. Skocpol writes of governmental responsiveness to the threat of revolution:

The adaptiveness of the earlier modernizing agrarian bureaucracies was significantly determined by the degree to which the upper and middle ranks of the state administrative bureaucracies were staffed by large landholders. Only state machineries significantly differentiated from traditional landed upper classes could undertake modernizing reforms which almost invariably had to encroach upon the property or privileges of the landed upper class.<sup>54</sup>

Trimberger makes the same general point with reference to the ability of the Meiji State and Kemalist Turkey to undertake economic modernization, and she goes on to link these experiences with contemporary developments in Latin America. The central characteristic of a strong state, she argues, is that its bureaucracy—and particularly the military officer corps—be neither recruited from nor responsible to the classes economically dominant in society.<sup>55</sup> The autonomy from vested reactionary interests allows such a state to undertake the necessary (and always, to some, unpopular), reforms necessary for modernization. At the same time, however, it is well not to overemphasize the autonomy of the state: any ruling apparatus must have some allies, potential or actual, in the population at large. For all the usefulness of Skocpol's and Trimberger's distinctions, Bill Warren's point on the multiple forms that vigorous state rule may take calls attention to the danger of defining the issue too narrowly:

<sup>54</sup> Theda Skocpol, "France, Russia, China: A Structural Theory of Social Revolution," *Comparative Studies in Society and History*, xviii (No. 2, 1976), 185.

<sup>55</sup> Trimberger (fn. 39); Trimberger and Irving Louis Horowitz, "State Power and Military Nationalism in Latin America," *Comparative Politics*, viii (January 1976).



Significant capitalist industrialization may be initiated and directed by a variety of ruling classes and combinations of such classes or their representatives, ranging from semi-feudal ruling groups (northern Nigeria) and including large landowners (Ethiopia, Brazil, Thailand), to bureaucratic-military elites, petty bourgeoisies and professional and state functionaries (especially in Africa and the Middle East). These "industrializers" may themselves become industrial bourgeoisies or may be displaced by the industrial Frankensteins they have erected. . . . the crucial point is this—that it is the characteristic of the post-war period throughout the underdeveloped world that the social forces compelling industrialization have developed with more massive impetus and greater rapidity than ever before in history. . . . This partly explains the importance of the state in most underdeveloped countries where it often assumes the role of a bourgeois ruling class prior to the substantial development of that class.<sup>56</sup>

The style of state action will thus vary with time and place. Alexander Gerschenkron has described not only what is common to "late industrializers"—the speed of industrial growth and its concentration in large enterprises favoring capital goods production, for example—but also how different countries use different structures to further the same functional end of growth—England used accumulated capital, Germany the investment banks, and Russia the state budget.<sup>57</sup> Barrington Moore makes the same general point when he insists that historical timing is a crucial factor in the style of state action:

To a very limited extent these three types—bourgeois revolutions culminating in the Western form of democracy, conservative revolutions from above ending in fascism, and peasant revolutions leading to communism—may constitute alternative routes and choices. They are much more clearly successive historical stages. . . . The methods of modernization chosen in one country change the dimensions of the problem for the next countries who take the step, as Veblen recognized when he coined the now fashionable term "the advantages of backwardness." Without the prior democratic modernization of England, the reactionary methods adopted in Germany and Japan would scarcely have been possible. Without both the capitalist and reactionary experiences, the communist method would have been something entirely different, if it had come into existence at all. . . . Although there have been certain common problems in the construction of industrial society, the task remains a continually changing one.<sup>58</sup>

<sup>56</sup> Warren, "Imperialism and Capitalist Industrialization," *New Left Review*, Vol. 81 (September-October 1973), 42-43.

<sup>57</sup> Gerschenkron, *Europe in the Russian Mirror: Four Lectures in Economic History* (New York: Cambridge University Press 1970), 99, 102-3. See also Rondo Cameron, ed., *Banking and Economic Development: Some Lessons of History* (New York: Oxford University Press 1972).

<sup>58</sup> Moore (fn. 17), 113-14. See also David Collier, "Timing of Economic Growth and Regime Characteristics in Latin America," *Comparative Politics*, vii (April 1975);

## III

Whether industrializing countries today will imitate any of the historical models of growth, or will find new forms of development, or indeed will succeed at all in their ambition to become autonomous centers of technological advance is a key question. Albert O. Hirschman notes that "late, late industrializers" seem unable to move as decisively as their historical predecessors.<sup>59</sup> Dependency theorists would link this to the role that external forces have played in the growth of southern countries, and insist that the impetus for forward movement does not yet come from inside. A strong state would seem to be an indispensable prerequisite for success. And few of the states of the Third World today have developed governing institutions appropriate to the social forces they must integrate and control. Regional, ethnic, and class demands are not effectively aggregated through party structures (if, indeed, they are capably articulated at all), while bureaucracies, which determine the ability of governments to act, are frequently incompetent and corrupt. In a strong polity, party and bureaucratic structures parallel and reinforce one another. But in a weak state, the shortcomings of each system feed the vices of the other.<sup>60</sup> Some governments are obviously stronger than others on the same continent—India in Asia, Tanzania in Africa, Mexico in Latin America; meanwhile, military regimes converting themselves into civilian governments, or popular parties with roots in a variety of social groups may yet succeed in institutionalizing political authority. Few are as weak as some of the former French territories of Black Africa, where Europeans continue to staff many of the important government positions and the presence (or absence) of a metropolitan paratrooper company or two determines political stability. And few are as corrupt as Zaire, where one apparently informed source reports the disappearance in 1971 of 60 percent of the state's revenues (not counting under-the-table transfers).<sup>61</sup>

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Peter A. Gourevitch, "The Second Image Reversed: The International Sources of Domestic Politics," paper for the American Political Science Association, Annual Meeting 1977.

<sup>59</sup> Hirschman, "The Political Economy of Import-Substituting Industrializing in Latin America," in *A Bias for Hope: Essays on Development and Latin America* (New Haven: Yale University Press 1971).

<sup>60</sup> Samuel P. Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press 1968); Fred W. Riggs, *Administrative Reform and Political Responsiveness* (Beverly Hills, Calif.: Sage 1970).

<sup>61</sup> J. P. Peemans, "The Social and Economic Development of Zaire since Independence," *African Affairs*, Vol. 74 (April 1975), 102.

For most southern countries, the Algerian dilemma seems familiar: the failure of the party system engenders the failure of the bureaucracy—which in turn makes the eventual success of the party all the more difficult. Thus the present attempt in Algeria to bring about wide-scale land reform is every bit as much a political as an economic effort. What the Boumédiène regime requires to achieve modern stability is power dispersion; that is, the creation of institutional linkages throughout the country by means of a party structure and organized interest groups. Of course a risk is involved. An increasingly participant peasantry may challenge well-designed programs as well as inefficiency and corruption in government. Thus, increased mass participation is at once a possible salvation for the regime and a real threat to it. The result has been to temporize. Now the Peasant Unions, like the Communal Assemblies, will be participatory in form but carefully controlled in practice. The attempt may succeed; or again, it may not. Since the summer of 1972, the idea of the Agrarian Revolution has been broadcast to every corner of Algeria in an official campaign quite without precedent in the country's history. The media have long and actively promoted it, thousands of students have been mobilized to come to its assistance, and religious as well as military and political authorities have pronounced favorably on its ambitions. One thing is becoming evident: Algeria must somehow institutionalize the participation of its peasantry if its political order is to find strength and stability and its economic order is to create prosperity. The peasantry has a genuine interest in participation. The overriding question is whether the state, through its party and bureaucratic structures, can acquire a mature form in the process.<sup>62</sup> The task is not unique to Algeria. Throughout the Third World, similar problems of political development are being confronted by equally bold programs of reform.

The job of the modernizing state in contemporary domestic terms therefore appears paradoxical: it must have autonomy, yet it must sink roots. It must have the autonomy of a unitary actor if it is to make long-term plans and to implement them despite some opposition (and on occasion those who object will eventually benefit more than those who truly pay the price). Particularistic interests of every variety must be weaker than the state, which is competent to act on behalf of what it will call the collective good. At the same time, the state must sink roots, both as a precondition and as a result of this very effort at change. If some interests must be checked or broken, others must be mobilized

<sup>62</sup> Tony Smith, "The Political and Economic Ambitions of Algerian Land Reform, 1962-1974," *Middle East Journal*, xxix (Summer 1975).

and controlled if the state is to attain its ends. In Samuel Huntington's terms, state power must be both concentrated and expanded in a complex process that will depend in each case on specific configurations of social forces.<sup>63</sup> Different regimes will choose to promote different sectors of their populations, and a variety of political structures may be used to the same functional end. But the final product must be a state apparatus that can effectively knit together the social forces under its jurisdiction, and provide for future growth.

Is a state that is strong domestically also a state that is strong internationally? No obvious direct relationship holds. For a society may be possessed of a strong state in the sense that governmental structures have a demonstrated capacity to integrate the social forces of the land, while at the same time it may lack military strength and hence be weak on the world scale. Or else, a state may be strong internally while its economic system is highly dependent on world trade over whose rules it has no power. As a result, this state is weak internationally, since the coalition of domestic forces on which it depends would be upset if the world economy failed to perform in certain necessary ways. On the other hand, internal strength would seem a precondition of strength internationally. For a globally powerful state must be possessed of an ability to extract resources from its citizenry and coordinate them in a fashion that suggests that its government is strong internally as well.

It is thus legitimate to say that an aspect of the growing international power of southern states is their ability to grow strong internally. As their economies become more diversified and their societies are better organized politically, the probability is that they will gain in international strength. It would be a mistake to think that this process is unidimensional, however: a society may over time vary in its dependence on outside influences. In Mexico, for example, the Porfiriato (1876–1910) signified one type of incorporation to the hegemony of the United States, only to be ended when Mexico in effect “decolonized” by the Revolution of 1910–1917, and by the subsequent economic Mexicanization of the country until 1945. Subsequently, however, Mexico once again became more closely involved with the United States, although in ways significantly different from the pattern that ended nearly seventy years ago. The complexity of the modern Mexican economy and the demonstrated ability of the state to control the social forces under its jurisdiction make the Mexican state today stronger

<sup>63</sup> Huntington (fn. 60), chap. 2.

domestically than it was before the Revolution; but how do we describe its international position?

One recent event confirms the growing power of the South in striking fashion. More clearly than the defeat of the Italians at Adua in 1896 and the Japanese victory over Russia in 1904, the ultimate triumph of nationalist communism in Vietnam stands as an historical benchmark of the first order in the process of reversing nearly five hundred years of European overseas expansion. Direct leverage over the political and bureaucratic institutions in the South may have ended with colonialism, but the North could retain the belief that if a southern state failed to respect basic northern interests (defined not only economically and strategically, but in some cases ideologically or symbolically), it ran the risk of military intervention. So at least it had been in Asia and the Middle East since the time of the First Opium War in 1840. We are witness to the failure of the United States to continue the tradition, as called for by George Liska in a widely read book that appeared in 1967:

The Vietnamese War . . . may well come to rank on a par with the two world wars as a conflict that marked an epoch in America's progress toward definition of her role as a world power. . . . This role implies the necessity to define—by force if necessary—the terms on which regional balances of power are evolved and American access to individual regions is secured. . . . Had it been less dramatized, the Vietnamese War would have been an ideal ground for evolving, training, and breaking in . . . a combined political-military establishment as well as for educating the American people to changing facts of life. It may still prove retrospectively to have been such. . . .<sup>64</sup>

It was under the shadow of America's military reversal in Vietnam that the rise in petroleum prices occurred. In 1972, the OPEC states received \$29.2 billion for their exports, which constituted 7 percent of world trade by value; by 1975, the value of their exports reached \$114 billion and represented some 13 percent of world commerce (down from 16 percent in 1974).<sup>65</sup> Nor is the success of OPEC the only sign of strength in southern economic development. Statistics on manufacturing output in the Third World show this sector to have been the pacesetter in most Third-World economies for approximately the past two decades. Even during the recession of 1974, so called "middle income" countries, those with per capita incomes of \$200 to \$700 a year,

<sup>64</sup> Liska, *Imperial America: The International Politics of Primacy* (Baltimore: The Johns Hopkins Press 1967), Preface (unpaginated), and 180.

<sup>65</sup> United Nations, *Monthly Bulletin of Statistics*, June 1976.

managed to expand their manufacturing output by 8 percent, while the OECD countries registered a zero growth rate. The following index numbers of industrial production for all southern countries are striking evidence of this development.<sup>66</sup>

TABLE I  
INDUSTRIAL OUTPUT AS A  
PERCENTAGE OF 1970 PRODUCTION

	<i>Year</i>	<i>Heavy Industry</i>	<i>Light Industry</i>	<i>Total</i>
Developed Market Countries	1960	53	66	57
	1970	100	100	100
	1974	122	114	119
	1975	112	110	111
	1976	123	120	122
Developing Market Countries	1960	43	64	54
	1970	100	100	100
	1974	148	127	137
	1975	150	132	141
	1976	165	141	152

One must be careful not to push this point too far and thereby fail to recognize the substantial power that the North still retains over the South. In my opinion, dependency theory is certainly correct when it maintains that northern power is not only preponderant, but that its effects significantly influence the course of economic, social, and political development in southern countries. Nor would I dispute the use of the word "imperialism" to characterize this relationship.<sup>67</sup> But I would repeat that it is essential not to assume that the power of this interaction between North and South is so great as to mold single-handedly all aspects of social life in the South. Not for a moment should the strength and independence of local factors be forgotten. In the case of Mexican industrialization, to take but one example, the role of northern multinational investment is indisputable in providing capital and technology for development. But much more important were changes within Mexico itself, chief of which was the Revolution of 1910. Here the groundwork was laid, as William Glade recounts it, for the economic, social, and political infrastructure basic to industrialization.

<sup>66</sup> United Nations, *Monthly Bulletin of Statistics*, August 1977.

<sup>67</sup> For a fuller discussion, see Tony Smith, "Changing Configurations of Power in North-South Relations since 1945," *International Organization*, xxxi (Winter 1977).

And the Revolution was achieved not *because* of the international system, but *against* it and its local allies.<sup>68</sup> Nor should it be assumed that southern leaders, even when heavily dependent on the North, are mere puppets of the international system. It was Porfirio Díaz, after all, who not only opened Mexico to American economic penetration on an enormous scale at the close of the nineteenth century, but who also coined the phrase still dear to Mexicans, “Pobre México, tan lejos de Dios, tan cerca de los Estados Unidos” (Poor Mexico, so far from God, so close to the United States). In short, the system is far more fluid than dependency theory allows. It is fluid in the sense that it has weaknesses permitting important actors to escape its direct influence, in the sense that it contains contradictory movements within it (American support for Israel has been no way to run an imperial system, for example), and in the sense that in many respects the very success of the system prepares the ground for its own displacement.

Let us look at this last point more closely. Even if the North were to advance a blueprint for North-South economic relations more comprehensive than anything suggested to date, are we to suppose that it would unquestionably succeed in perpetuating the present international distribution of power? Such might be the short-term consequences, which for a generation or two might perhaps be able to improve the mechanisms of northern control; but what about the longer term? Marxist and southern nationalist rhetoric notwithstanding, where is the evidence that the system is operating to make the Third World perpetual “hewers of wood and drawers of water” as the now standard cliché has it? If that were the northern intention—and I have never seen it seriously alleged that the countries of the OECD or the United States alone have the cunning or the organization to be able to draw up such a scheme—then the attempt would be a notable failure. Where is the whole-hearted effort to prevent southern industrialization, monopolize southern raw materials, break up domestically integrated southern markets, oppose southern regional integration schemes, and develop a greater degree of international specialization that would heighten southern reliance on northern goods and markets? Neither the OECD nor the United States gets high marks for imperialist strategy: plans are neither clear nor resolute in purpose; the means whereby to gain the ends have not been specified; interests at home

<sup>68</sup> Glade, “Revolution and Economic Development: A Mexican Reprise,” in William Glade and Charles W. Anderson, eds., *The Political Economy of Mexico* (Madison: University of Wisconsin Press 1963).

have not been harmonized so that such a strategy would seem enticing. Unlike the influence of Britain in Egypt, India, and Latin America at the end of the nineteenth century, and unlike Nazi policy toward Southeastern Europe, the impact of the North today would seem to accelerate rather than retard southern industrialization.<sup>69</sup>

The standard reply in the dependency literature is to maintain that foreign enterprise holds the commanding heights in Third World industrialization, thereby “decapitalizing” and “denationalizing” southern industry. It is held that whatever gains are being made would be greater and less vulnerable without this presence. The favored way to document the alleged decapitalization is to present figures of capital inflow and outflow over time to show that foreign investment is taking more out of southern countries than it is bringing in. For instance, in the case of Latin America, Dale Johnson repeats the standard charge, declaring that “between 1950 and 1961, 2,962 million dollars of U.S. private capital flowed into the seven principal countries of Latin America, while the return flow was 6,875 million dollars.”<sup>70</sup> Although this state of affairs might suggest that northern investment is no assistance in terms of southern balance-of-payments problems, it is obvious that these figures, cited by themselves, cannot establish the case for southern exploitation. For unless we know what this surplus in favor of the United States amounting to \$4 billion means in relation either to American investment in Latin America or to the output of American firms there, the sum says very little. The available statistics suggest that “decapitalization” is a nationalist/Marxist myth, at least in the terms in which it is usually presented. For example, in 1975, Latin America received \$178 million from the United States to be invested in private manufacturing there. At the same time, American corporations remitted \$359 million in profits and \$211 million in fees and royalties from this sector to the United States. Apparently, therefore, United States private investments “decapitalized” Latin America of \$392 million that year in terms of manufacturing alone. Yet, if we compare this to United States manufacturing investments in Latin America of \$8.6 billion, the sum repatriated to the North amounted to a mere 4.6 percent, hardly an extortionist outflow. The sum of \$392 million is all the more insignificant when we compare it to the total sales of United States manufacturing affiliates in Latin America in 1974, which amounted to \$20.9

<sup>69</sup> Smith (fn. 67), 21ff.

<sup>70</sup> Johnson, “Dependence and the International System,” in Cockroft (fn. 6), 75n.; repeated with other dates, 94n.



billion. In other words, if we consider the \$392 million as return either on investment or on volume of business generated, it can scarcely be maintained that Latin America is being "decapitalized."<sup>71</sup>

It is more difficult to refute unambiguously the charge that Third-World economies are being "denationalized"—a term that refers to the tendency of northern industries to buy out successful local businesses and to control local capital through encouraging its minority participation in northern ventures there. For example, the Department of Commerce provides figures showing that from 1968 to 1972, Latin Americans provided from 33 to 54 percent of the capital called for by United States companies in the region.<sup>72</sup> Should that be interpreted as southerners financing the takeover of their own countries? Similarly, Richard J. Barnet and Ronald E. Müller cite a study by the Harvard Business School for the years 1958–1967 to underscore the familiar allegation of *dependencistas* that Americans are buying up able southern firms and are thereby stifling southern entrepreneurs: "About 46 percent of all manufacturing operations established in the period were takeovers of existing domestic industry."<sup>73</sup> A closer inspection of this argument suggests that once again the dependency school is presenting its statistics selectively. For if we look more thoroughly through the material assembled by the Harvard Business School survey, it appears that through liquidations or expropriations, or sales of an entire affiliate or a substantial part thereof, American interests had divested themselves of nearly as many manufacturing concerns as they had acquired: 332 lost as compared with 337 gained.<sup>74</sup> Nor do sheer numbers of firms present the most interesting statistics; it is the *value* of affiliates bought or sold that may be more important. And, so far as the figures for 1975 and 1976 are concerned, Department of Commerce statistics show that United States firms sold off about as much in value of their manufacturing affiliates in the South as they acquired through takeovers.<sup>75</sup>

<sup>71</sup> See Department of Commerce, *Survey of Current Business*, "U.S. Direct Investment Abroad in 1976" (August 1977), for all figures except those on sales; for sales, see *ibid.*, "Sales by Majority-Owned Foreign Affiliates of U.S. Companies, 1974" (May 1976). Other years could be cited where American profits were far *less*.

<sup>72</sup> Department of Commerce, *Survey of Current Business*, "Sources and Uses of Funds for a Sample of Majority-Owned Foreign Affiliates of U.S. Companies, 1966–1972" (July 1975).

<sup>73</sup> Barnet and Müller, *Global Reach: The Power of the Multinational Corporations* (New York: Simon and Schuster 1974), 154–55.

<sup>74</sup> James W. Vaupel and Joan P. Curhan, *The Making of Multinational Enterprise* (Cambridge: Graduate School of Business Administration, Harvard University 1969), 240–41 for expansion; 376–77, 505 for losses.

<sup>75</sup> Department of Commerce, *Survey of Current Business*, "U.S. Direct Investment Abroad in 1976" (August 1977), Table 4, p. 35 and Table 5, pp. 36–37.

Moreover, there seems to be unanimous agreement that as a percentage of gross business volume, the multinational corporations are declining in importance in the South: it is only in terms of their control over certain of the leading sectors of the economy that their presence is dominant. Even in these sectors, the emerging pattern seems to be for the southern governments to restrict foreign investment to those areas of the economy where local abilities cannot yet provide adequate capital or skills, and to push the foreigners out once conditions warrant it. To be sure, in many instances foreigners continue to operate behind the scenes: the custom of *prestanombres* (borrowed names), whereby locals act as figurehead directors and owners of establishments that are actually controlled from abroad is by no means restricted to Latin America, as the Spanish term might suggest. However, as the state and domestic interests gain in strength, there is little reason to think the letter of the law will not be increasingly applied.<sup>76</sup> In the process of the "nationalization" of these foreign concerns, might not the investors in such enterprises, those who hold minority shares as reflected in the Commerce Department survey cited above, be considered the logical next majority owners? "Denationalization" of southern industry has as little substance to it as "decapitalization."

The moral of these considerations is that the system of North-South relations is not only too weak to determine all aspects of change in the South—a fundamental point bearing reiteration—but that even in those areas where its influence is real, its long-run effect may well be to hasten the end of the international predominance of the North. For example, Algeria had managed to run up an external public debt of over \$9 billion as of the end of 1975, and the United States had moved into position as the country's largest trading partner and substantial creditor.<sup>77</sup> Yet, one would mistake this involvement with the outside world if one were to see it as anything other than an Algerian effort to practice that skill of the martial arts whereby the strength of the opponent

<sup>76</sup> For a particularly strong essay stressing the growing role of the South relative to the North, see Theodore H. Moran, "Multinational Corporations and Dependency: A Dialogue for Dependencistas and Non-Dependencistas," *International Organization*, xxxii (Winter 1978); on Nigeria, see editorial notes in *African Development*, x (December 1975); on Mexico, Richard Weinert, "The State and Foreign Capital," in Reyna and Weinert (fn. 35); and on Southeast Asia, Franklin Weinstein, "Multinational Corporations and the Third World: The Case of Japan and Southeast Asia," *International Organization*, xxx (Summer 1976).

<sup>77</sup> World Bank, *Annual Report* (1977), Table 5, p. 111; Department of Commerce, *Overseas Business Report*, "World Trade Outlook for Near East and North Africa," OBR 77-45 (September 1977); Department of State, *Foreign Economic Trends and their Implications for the U.S.*, "Algeria," 77-033 (March 1977).

is used against himself. The same point of view has predominated in the Soviet Union since 1920, when Lenin actively sought to recruit capitalist trade and investment in his effort to build up his country's economic base. It is the unhistorical dogmatist, a familiar fellow in dependency literature, who asserts solely on the basis of certain grand ideas that, whatever the situation, the international system is a "trap," and that "self-reliance" through socialism is the only road to economic development.<sup>78</sup>

In this essay I have attempted to deal only with a major historiographic shortcoming common to most of dependency theory. I have made no claim to review the literature in full, to deny its genuine insights, or to analyze the ideological "united front" the theory is sponsoring between southern nationalists and Marxists. Instead, I have tried to encourage skepticism about propositions alleging the all-pervasive and self-perpetuating character of northern power with respect to the South, and to establish some measure of the relative autonomy of the various Third-World countries which comes from the real strength of local traditions and institutions.

<sup>78</sup> Johan Galtung, "The Lomé Convention and Neo-Capitalism," *African Review*, VI (No. 1, 1976).