Dependence as an Explanation of Underdevelopment: A Critique

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ABSTRACT

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This essay seeks to clarify the relationship between dependence and underdevelopment by examining critically some of the major themes in the literature on dependency theory. Three principal arguments are evaluated: (1) that dependence inhibits economic growth; (2) that dependence results in an undesirable pattern of economic development; and (3) that dependence leads to an unviable pattern of development. It is suggested that most dependency theorists do not adequately distinguish between the effects of dependence *per se* and the effects of the capitalist mode of production in general. Making this distinction, the essay concludes that the effects of dependence *per se* tend to be overstated in the dependency literature.

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Cet essai cherche à clarifier la relation entre la dépendance et le sous- développement grâce à un examen critique de quelques-uns des thèmes majeurs des écrits existant sur la théorie de dépendance. Trois arguments principaux sont évalués: (1) que la dépendance empêche la croissance économique; (2) que la dépendance a pour résultat un type indésirable de développement économique; et (3) que la dépendance conduit à un type de développement non-viable. Il est suggéré que la plupart des théoriciens de la dépendance ne font pas suffisamment de distinction entre les effets de la dépendance *en soi* et le mode de production capitaliste en général. Cette distinction étant faite, l'essai conclut que les effets de la dépendance *en soi* ont tendance à être sur-estimés dans les écrits existants sur le sujet de l'indépendance.

INTRODUCTION

The literature on dependence and its relationship to underdevelopment has assumed massive proportions during the past decade. Indeed, no serious analysis of economic trends in Latin America can afford to ignore the contributions of dependency theorists such as Andre Gunder Frank, Celso Furtado, Fernando Henrique Cardoso and many others.[1] Nor is the dependency literature confined to Latin America; many of its ideas and concepts have been utilized in the study of underdevelopment in other parts of the world. Yet largely because of the great number of contributors and the great variety of contributions to this literature, there remains considerable ambiguity about some of its central propositions. Different authors differ not only with respect to their general political perspective (varying from reformist nationalists to revolutionary Marxists), but even with respect to their definitions of such basic concepts as dependence, capitalism, and underdevelopment.

The purpose of this essay is, first, to identify and state unambiguously certain propositions that I find at least implicit in much of the dependency literature and, second, to subject these propositions to a critical analysis.[2] In trying to extract clearly stated propositions from a complex and subtle literature, I run the risk of emerging with statements to which no single dependency theorist would subscribe. Indeed, I may be accused of creating straw men the more easily to knock them down. But I do think that the dependency literature as a whole very much needs greater clarity and precision in the formulation of its hypotheses, and if my own crude attempts succeed only in calling forth carefully stated rebuttals, they will have served their purpose.

Much of the dependency literature seems to be essentially descriptive in content. Insightful observations are made about the asymmetric nature of economic, political and cultural relations between the rich capitalist nations and poor nations of the "third world"[3]; about the internal class structure and balance of political power characterizing the poorer nations; and about the extent of poverty, inequality, unemployment and general economic and social deprivation among the people of the third world. This descriptive material has been very useful in focussing attention on important aspects of the pattern of social and economic development occurring in third world nations. We are all now much more aware of the scope of the problems faced by a majority of people in the world.

For the purposes of this essay, however, I wish to go beyond the valuable descriptive content of the dependency literature to examine some of the theoretical hypotheses contained within it. The analytical power of this literature (and of any such literature) rests upon its ability to develop propositions that accurately identify <u>causal</u> relations between different variables. If the dependency literature is to do more than alert us to deplorable trends in the real world, it must not simply describe those trends but help us to understand some of their causes and consequences.

I. DEFINITIONS AND HYPOTHESES

The most fundamental causal proposition that I associate with the dependency literature is that dependence causes underdevelopment. At this level of generality (and ambiguity), I trust that there is widespread agreement among dependency theorists. But to make the proposition precise enough to bear critical examination, it is necessary to define clearly what is meant by both "dependence" and "underdevelopment". This is where the widespread agreement no doubt begins to founder. In the following paragraphs I will try to develop a definition of dependence that is analytically useful and reasonably true to the spirit of the dependency literature. I will then discuss the meaning of underdevelopment, and formulate several precise variants of the general hypothesis that dependence causes underdevelopment.

The concept of dependence is generally used to characterize a relationship between one nation and another nation (or group of nations). It seems to me that the relationship of dependence involves two essential elements: integration and subordination. Thus a given nation has a dependent relationship with another nation (or group of nations) insofar as the relationship is both close and asymmetrical, with the result that the given nation is in some significant way subordinated to the other(s). Dependence can characterize international relationships in many different spheres-- economic, political, cultural, etc. In the interest of greater precision, I will restrict my definition of dependence to economic relations only. Following the almost universal practice of dependency theorists, I will further restrict my definition to situations where the dependent relationship involves dependence upon the nations of the "capitalist metropolis".[4]

What, then, constitutes a close and subordinate economic relationship with the capitalist metropolis? I believe that there are two principal types of dependence which fit this definition, each of which has considerable currency in the dependency literature. The first type, which I will call "market dependence", involves participation in world capitalist markets in such a way that a nation's economy is strongly affected by what is happening in the metropolitan capitalist economies. The greater the nation's degree of trade with the capitalist metropolis (and with other nations who are in turn highly dependent on the metropolis), and the greater the variability of the world market price of the relevant traded commodities, the more market-dependent the nation's relationship with the capitalist metropolis is likely to be. Market dependence does not necessarily imply any particular degree of foreign ownership or control of the domestic economy; it simply implies that the fate of the domestic economy is significantly linked to the fate of the world capitalist economy as a whole.

The second type of dependence, which I would like to distinguish from market dependence, I will call "power dependence". A relationship of power dependence is one in which a given nation's economy is significantly conditioned, not by world capitalist markets in general, but by the decision-making power of particular individuals, firms and agencies from the capitalist metropolis. A nation's relationship with the metropolis is likely to be more power-dependent the greater the share of its productive assets which are owned and/or controlled by foreigners from the metropolis, and the greater the extent to which it relies on metropolitan individuals, firms and agencies for its investment finance, its technology of production, its capital goods, its managerial and policy-making personnel, etc. Power dependence is often associated with market dependence, but this need not be the case. A nation whose economy is quite isolated from world capitalist markets may nonetheless be dependent on foreigners for much of its economic decision-making.

As I have defined them, both market dependence and power dependence are matters of degree; a given nation cannot be classified as either dependent or independent, but it can in principle be ranked on a scale of dependence. Ideally, one would want to develop indices of market and power dependence, based on the kinds of factors I have mentioned above, which would be (at least in principle) capable of quantitative measurement. For the purposes of this essay, however, it is sufficient to establish the general criteria by which dependence is to be estimated.

I suspect that there would not be much disagreement about the approximate positions of most nations in a rank ordering by market or power dependence. The most market-dependent nations would be poor and small with a high degree of concentration of exports; richer nations, and/or larger nations, and/or nations with more diversified export patterns, would tend to be less market-dependent; the least market-dependent nation in the capitalist world would no doubt be the United States. Some of the smaller metropolitan nations (e.g. Belgium, Denmark, Australia) are probably at least as market-dependent as some of the larger and semi-industrialized nations outside of the metropolis (e.g. Mexico, Brazil). And the degree of market dependence among all metropolitan nations (as well as many non-metropolitan nations) is no doubt increasing over time with the increasing integration of the world capitalist economy.[5]

A rank ordering of nations by power dependence would no doubt be positively correlated with an ordering by market dependence, but there would be numerous deviations between the two. Relatively nationalist nations such as Japan (among the rich) and Algeria, Peru and Burma (among the poor) would rank much lower in power dependence than market dependence. Conversely, nations such as Canada, Brazil, and the Philippines would probably rank higher in power dependence than market dependence. Power dependence is more closely (negatively) correlated with per capita income than market dependence, but there would still be no clear demarcation between the rich metropolitan nations and the poorer non-metropolitan ones. Unlike the case of market dependence, there does not now appear to be a distinct trend toward greater power dependence among the nations of the capitalist world economy; if anything, the trend is in the opposite direction.

Having drawn attention to two different types of dependence that are discussed (and often not adequately distinguished) in the dependency literature, I would now like to select just one for the purposes of this essay. The one that I find most appropriate is power dependence, for the following reasons. First, it more closely (albeit imperfectly) distinguishes nations of the third world from those of the capitalist metropolis, and most of the dependency literature is really concerned with conditions in the third world. Second, much of the recent dependency literature has focussed on the role of multinational corporations, which are much more directly involved in power dependence than in market dependence. Finally, power dependence is more highly variable than market dependence both among nations and over time. In the third world today there are extremes of power dependence (Puerto Rico and Burma?), and there have been substantial shifts within a given nation in the degree of power dependence (e.g. in Chile and Indonesia, not to mention Cuba, Vietnam, etc.). By contrast, all nations are to some extent market-dependent, and it is very difficult to bring about significant changes in a nation's degree of market dependence because it is so largely determined by the nation's size and diversity of natural resources. In the rest of this essay, therefore, I will use the term dependence to denote power dependence as I have defined it.

There is substantive disagreement among dependency theorists as to whether dependence involves the extension of capitalism from the metropolis to the dependent nation. Some writers have argued that the dependence relationship typically involves an alliance by metropolitan capitalists with pre-capitalist ruling elites in the dependent nation, with the result that the spread of the capitalist mode of production is inhibited.[6] Others argue that the effect of dependence, sooner or later, is to encourage the emergence of pro-capitalist forces in the dependent nation and to facilitate the penetration of the capitalist mode of production into various sectors of the domestic economy.[7] Without entering into this debate here, I wish only to emphasize that there is no logically necessary connection between dependence and the emergence of capitalism in the dependent nation, so long as capitalism is understood to refer to a particular mode of production rather than simply to a relationship with the world capitalist economy.[8]

This latter distinction is an important one for this essay. By my very definition, dependence involves a significant relationship with the world capitalist economy. But dependence does not necessarily mean capitalism in the sense of a particular mode of production with its associated class structure and means of organizing the process of production. A nation could be dependent while maintaining an essentially feudal structure of social classes and organization of production. Conversely, a nation might be predominantly capitalist in its mode of production yet limit its degree of dependence on the capitalist metropolis. In investigating the causal relationship between dependence and underdevelopment in the remainder of this essay, I will seek to distinguish carefully between the effects of dependence <u>per se</u> and the effects of capitalism as a mode of production.

It remains now to give some precision to the concept of "underdevelopment". For many years most economists concerned with the progress of third world nations tended to equate development with growth in per capita product, and underdevelopment with lack thereof. Some economists, particularly from the third world nations themselves, were wont to link the development of a nation to the growth of industrial output in particular. In recent years, however, even economists have become aware of the inadequacy of identifying development with aggregate measures of economic growth, for important aspects of a nation's true social welfare are not reflected in such measures.[9] Increasing attention has been devoted to other development objectives such as greater equality in the distribution of income and wealth; higher rates of employment; greater self-reliance; etc. Lack of progress toward such non-growth objectives has been construed as part of the syndrome of underdevelopment.

Dependency theorists on the whole have taken a broad view of the meaning of underdevelopment, and indeed they have enriched our understanding of its multi-dimensional nature. In the spirit of the dependency literature, I will therefore identify several different dimensions of underdevelopment each of which can be separately considered as a possible consequence of dependence. My list cannot possibly be exhaustive; I can only try to capture some of the most important elements in the broad conception of underdevelopment.

Dependency theorists have not sought to deny the importance of aggregate growth; indeed, many critics of dependence have stressed its negative impact on overall economic growth and/or industrialization.[10] I will therefore consider two growth-related dimensions of underdevelopment: (1) lack of growth in per capita output and (2) lack of growth in industrial output. Even where dependence permits some economic growth, many dependency theorists have drawn attention to certain undesirable characteristics of the growth process which warrant continued use of the term underdevelopment. These characteristics include (3) large and probably growing economic inequalities (with the result that the poor majority of the people hardly benefit at all from any aggregate economic growth that takes place); (4) high and probably growing rates of unemployment and/or underemployment; and (5) wasteful patterns of expenditure, in which a substantial fraction of the (growing) national income is spent on goods and services which make little or no contribution to social welfare, e.g., military supplies, advertising, excessive processing and packaging of consumer goods, etc.

A final important aspect of underdevelopment stressed by dependency theorists involves a loss of national sovereignty vis-a-vis foreigners and foreign nations. In order to avoid turning a causal proposition into a tautology, we must not equate this dimension of underdevelopment with dependence as I have defined it. If control of a nation's economy by individuals, firms and agencies from the capitalist metropolis is an index of underdevelopment, then dependence by its very definition implies underdevelopment.[11] To restore some causal content to the proposition that dependence leads to underdevelopment in the sense of loss of sovereignty, I will define this last major dimension of underdevelopment in more general terms as (6) lack of control by nationals over the social, political and cultural life of their nation. I believe that this captures the basic concern of dependency theorists while maintaining a conceptual distinction between dependence and the loss-of-sovereignty dimension of underdevelopment. It is possible in theory, if unlikely in practice, for a nation that is (economically) highly dependent to maintain a substantial degree of control over the non-economic spheres of its national life.

In the following sections of this essay I will examine separately the relationship between dependence and each of the six dimensions of underdevelopment listed above. In section II, I will consider the hypothesis that dependence inhibits economic growth, including the first two dimensions of underdevelopment. In section III, I will consider the hypothesis that dependence results in an undesirable pattern of economic development, in the sense of the last four dimensions of underdevelopment. My objective will not be to subject these hypotheses to rigorous statistical tests; I have neither the data nor the time to do so here.[12] Rather, I will simply consider their plausibility as compared with alternative possible hypotheses in the light of generally available evidence on the development of the world capitalist economy.

I believe that the hypotheses I have attributed here to dependency theorists reflect some of the major causal propositions contained in the literature, even though they may not have been explicitly articulated in this form. There is another important hypothesis implied by certain parts of the dependency literature which I will consider in the concluding section IV of this essay: that dependence leads to an unviable pattern of development. It is one thing to argue that dependence causes a pattern of development that fails to satisfy people's real needs; one can deplore this, but one may not be able to do much about it. It is another thing to argue that dependence causes a pattern of development that is contradictory in that it threatens the stability of the existing order and thereby creates opportunities for fundamental change. The latter proposition, more truly in the Marxist tradition, has been advanced by dependency theorists who see a growing revolutionary potential in the current circumstances of many third world countries.[13] This is clearly an issue worthy of consideration in the context of this essay.

II. DEPENDENCE AND ECONOMIC GROWTH

There are two main alternative lines of theoretical argument that can be and have been advanced as a basis for the hypothesis that dependence inhibits aggregate economic growth. The two arguments differ with respect to their judgment about whether or not dependence involves the extension of the capitalist mode of production from the metropolis to the dependent economy.

The first line of argument holds that dependence inhibits the emergence of capitalism in a dependent nation because capitalists from the metropolis form alliances with pre-capitalist domestic elites.[14] Foreign capitalists invest primarily in primary product extraction for export back to the metropolis, and they support the local agricultural and trading elites who guarantee easy access to domestic resources and who help maintain traditional modes of surplus extraction. In this scenario the economic growth of the dependent nation is retarded because foreign capitalists capture much of the surplus generated in the economy and because neither the foreign capitalists nor the local pre-capitalist elites have much interest in domestic capital accumulation.

The second line of argument holds that dependence does lead to the spread of capitalism to the dependent nation, as metropolitan capitalists involve themselves much more directly in the domestic economy by investing in manufacturing industries as well as in primary product extraction.[15] As a result, foreign capitalists tend to form alliances with local elites who are favorable to the development of capitalism and who welcome foreign participation in that development. An indigenous capitalist class emerges at the expense of pre-capitalist elites, but it remains subordinate to foreign capitalists. Under these circumstances, there may occur a certain amount of economic growth in the short-run, but this growth cannot be sustained in the long-run because of certain constraints in the capitalist development process that are attributable to the dominant role played by foreign capitalists. These constraints include an excessive drain on the balance of payments (when remittances of profits, fees, royalties, etc., overtake the rate of inflow of new foreign capital), the use of technology inappropriate to domestic factor endowments, a bias against the domestic production of capital goods, eventual constriction of demand which results from excessive orientation to the consumption of high-income domestic elites and/or from restrictions on access to foreign markets; and so on. The impact of such constraints is expected to increase over time and sooner or later to abort the process of economic growth.

Both of these lines of argument are in agreement that an essentially indigenous form of capitalism promoted by an independent national bourgeoisie could lead to rapid capital accumulation and economic growth, as it did in the metropolitan capitalist countries in the nineteenth century. Both agree that the historical process of capitalist growth cannot be repeated in the second half of the twentieth century by countries that participate (in a necessarily dependent manner) in the world capitalist economy. In the first variant dependence prevents the emergence of capitalism in the dependent economy, and in the second variant it generates a constrained form of capitalism that inhibits sustained economic growth.

The hypothesis that dependence inhibits industrialization is a weaker one than the hypothesis that dependence inhibits economic growth, since it allows for the possibility that economic growth could take place in the primary or tertiary sectors of a dependent economy. This weaker hypothesis can be based on either of the lines of argument raised in the context of the stronger hypothesis. If foreign capitalists are primarily interested in primary product extraction, and if local elites are oriented primarily to agricultural and commercial pursuits, it follows that little industrialization will take place even if economic growth does occur in the dependent economy. If foreign capitalists do invest in the manufacturing sector and if a local capitalist class does begin to develop in association with foreign capitalists, there is bound to be some initial industrial growth. But if the distortions discussed earlier can eventually operate to inhibit overall economic growth, they are even more likely to have an inhibiting effect on industrial growth.

There is now a considerable body of statistical evidence on rates of overall economic growth and industrial growth by country since the early 1950s. Although the data are far from perfect, they are reliable enough to permit at least a rough test of the hypotheses that dependence inhibits growth in per capita product and dependence inhibits growth in industrial output.

The evidence on growth rates of per capita product shows clearly that growth has been considerably more rapid in the capitalist metropolis as a whole than in the third world.[16] Since the countries in the former are on the average considerably less dependent than the countries in the latter, this is quite consistent with the hypothesis that dependence tends to retard economic growth. However, if we examine rates of growth among individual countries in the third world, we find many which have experienced rates of growth of per capita product that are quite rapid by international standards. Out of approximately 65 third world countries for which data were available from 1950 to 1969, the World Bank identified 24 in which relatively high growth rates have been sustained.[17] Of these 24, the 14 fastest-growing countries (with per capita products growing at an average rate between 3% and 5-1/2% per year) were Taiwan, Israel, Jordan, Iraq, South Korea, Trinidad, Iran, Puerto Rico, Turkey, Zambia, Panama, Jamaica and Nicaragua (in that order). Virtually all of these countries have been quite closely linked to the capitalist metropolis and would rank very high in an ordering of countries by dependence. The evidence on their rates of growth therefore casts much doubt on the hypothesis that dependence inhibits economic growth.[18]

Similar and even stronger evidence is available on comparative rates of industrial growth. Although industry is sometimes defined to include mineral and oil extraction as well as construction and utilities, it seems most appropriate in the present context to equate it with the manufacturing sector. It appears that since 1950 the rate of growth of manufacturing output has been greater in the third world countries as a group than in the capitalist metropolis.[19] All of the 24 rapidly growing countries identified by the World Bank showed growth rates of manufacturing output averaging at least 5% per year from 1950 to 1969.[20] The rate exceeded 10% in the following 12 countries: South Korea, Taiwan, Jordan, Pakistan, Singapore, Panama, Zambia, Israel, Iran, Turkey, Venezuela, and Trinidad (in that order). Even allowing for the fact that the growth began from very small manufacturing bases, the rates are impressive because they have been sustained over two full decades. Once again, most of the countries showing rapid industrial growth rates are relatively dependent on the capitalist metropolis. Thus the evidence also casts strong doubt on the weaker hypothesis that dependence inhibits industrialization.

One should take care not to exaggerate the significance of the data I have cited above.[21] In a majority of countries in the third world, growth rates of per capita product have remained very low. In many of these countries industrial growth has not been impressive. Yet the evidence does show unequivocally that dependence is not an insuperable barrier to economic growth or to industrialization. Moreover, the evidence appears to suggest that dependence has a favorable rather than an unfavorable effect on both of these variables. But this latter conclusion must remain tentative in the absence of a thorough analysis which takes into account other possible sources of growth and industrialization which have been ignored here.

One must also keep in mind the limited nature of the concepts of economic growth and industrialization. Even where per capita product has grown rapidly, it is quite possible that a majority of the people have benefitted little if at all. And even where manufacturing output has multiplied, it may have consisted primarily of light processing activities and assembly operations.[22] Such observations may well justify much skepticism about the desirability of the pattern of economic development that has occurred in many third world countries. But this raises a different set of issues, and calls for a different set of hypotheses, than those under consideration here. Some of them will be pursued in the following section of this essay.

If empirical evidence from the postwar period tends to refute the hypotheses that dependence inhibits economic growth and industrialization, the question naturally arises: where did the underlying theory go wrong? In retrospect, it would appear that a basic problem with both lines of reasoning discussed earlier was the assumption that only a progressive, dynamic, indigenous capitalist class could stimulate growth and industrialization. What has happened in fact in many of the more rapidly growing dependent countries is that foreign capitalists, in varying degrees of alliance and cooperation with indigenous public officials and private businessmen, have provided a major stimulus to economic growth in general and industrialization in particular. Thus it appears that the first line of reasoning erred in suggesting that dependence could not serve as a vehicle for the transmission of the capitalist mode of production to at least some parts of a dependent economy; and the second line of reasoning erred in suggesting that foreign capitalists would not be interested in or capable of promoting sustained economic growth and industrialization in some parts of the third world.

Underlying these errors is probably the mistaken judgment that the governing authorities in dependent nations, however unrepresentative of their peoples they might be, would not have the desire or the power to influence the participation of their national economies in the world capitalist system in such a way as to promote economic growth. In the first place, it is often in the interest of indigenous elites to promote growth and industrialization because it can be made to reinforce rather than undermine their bases of power. Secondly, the bargaining power of national authorities in dependent nations has been strengthened in recent decades by the growth of rivalries both among the major capitalist powers and between capitalist and socialist powers. This growth in bargaining power has been reflected in improved terms for foreign investment, substantial flows of foreign aid, and more diversified foreign trade -- all of which help to improve the prospects for economic growth.

To summarize, in the contemporary world situation dependence appears neither in theory nor in fact to be a major independent obstacle to economic growth or industrialization. This is not to say that all dependent nations can be expected to grow rapidly. On the contrary, there remain many obstacles to growth in the countries of the third world. What I am asserting is that there are many countries and circumstances under which dependence need not inhibit growth or industrialization.

III. DEPENDENCE AND THE PATTERN OF ECONOMIC DEVELOPMENT

The mounting evidence that dependence does not necessarily inhibit economic growth and industrialization has led many dependency theorists to focus attention on the second general hypothesis: that dependence causes underdevelopment in the broader sense of an undesirable pattern of economic development.[23] In Section I I distinguished four kinds of undesirable trends that have been associated with development under dependent conditions: inequality, unemployment, waste, and loss of national sovereignty (over non-economic spheres of life). Here I will examine to what extent each of these aspects of underdevelopment can be said to be caused by dependence *per se*.

Most of the dependency theorists who subscribe to some variant of the thesis that dependence causes an undesirable pattern of development agree that capitalism is transferred to some extent from the metropolis to dependent nations. Many accept that in this way dependence can contribute to economic growth and industrialization, as I have argued in the previous section. However, the essential point is that dependence gives rise to a peculiarly distorted form of capitalist development. A clear and significant distinction is implied between independent capitalist development (presumed to have characterized most of the metropolitan nations in the nineteenth century) and dependent capitalist development (which characterizes many third world nations in the second half of the twentieth century). Where independent capitalist development was stimulated and controlled largely by an indigenous capitalist class, dependent capitalist development is dominated (and distorted) by foreign capitalists, typically in the form of multinational corporations based in the capitalist metropolis.

Some of the theoretical arguments advanced to support the hypothesis that dependence leads to an undesirable pattern of development (in the four respects cited above) are as follows.[24] First, foreign economic domination exacerbates inequality because (1) foreign investment is regionally and socially concentrated in such a way as to benefit a small minority of privileged local people (associated businessmen, government officials, possibly a "labor aristocracy"); (2) large foreign firms displace small and more labor-intensive local enterprises; (3) foreign capitalists reinforce the power of reactionary ruling groups who resist redistributive policies; (4) foreign domination leads to the use of excessively capital-intensive techniques of production imported from the metropolis; and (5) foreign domination imparts a "demonstration effect" to domestic consumers whose pattern of consumption shifts away from relatively labor-intensive indigenous products to relatively capital-intensive alien products. For many of the same reasons, foreign economic domination limits the demand for (unskilled) labor and thereby exacerbates problems of unemployment and underemployment. Wasteful military expenditures are promoted by the interest of foreign capitalists in supporting authoritarian regimes who guarantee domestic stability and tranquillity (as well as their own continued rule) with large and heavily armed military and police forces; wasteful consumer expenditures are encouraged by the demonstration effect in general and by the merchandising activities of multinational corporations in particular. Finally, a significant loss of national control over political decision-making and social and cultural life results from foreign dominance over economic institutions and decisions because of the central importance of economic institutions and developments in shaping the character of the society as a whole.

The empirical evidence on trends in the pattern of development in third world nations is much less reliable than the evidence on trends in the rate of economic growth. It is easy to show that per capita output and industrial output have risen fairly rapidly in many countries. It is much harder to find good data on the degree of inequality in the distribution of income, on rates of unemployment and underemployment, on the extent of wasteful expenditures, or on the degree of national sovereignty over various spheres of life -- much less to find comparable data on changes in these variables over time.

Much of the dependency literature either takes for granted or attempts to show that in all of these respects things are bad and probably getting worse in dependent third world nations. On the basis of my own reading of the admittedly fragmentary evidence, I believe that this is a fair generalization (although one can undoubtedly find examples of countries that in some respects do not fit the rule). There is very strong evidence that the size distribution of income is more unequal in most third world countries than in the capitalist metropolis;[25] there are studies of several individual countries in which income inequality has clearly increased;[26] and several comparative studies have concluded (albeit on somewhat shaky empirical grounds) that the trend toward greater inequality characterizes most of the third world countries.[27] The measurement of rates of employment in poor countries poses notoriously difficult conceptual as well as statistical problems; but there is a wealth of indirect and partial evidence that suggests that employment problems in a very large number of third world countries are serious and in many cases getting worse.[28] Wasteful spending and loss of national sovereignty are much more difficult to document; it can hardly be denied that they are pervasive in many third world countries, but it is much less clear whether or not they are increasing in magnitude over time.

Because of the formidable conceptual and statistical difficulties involved in trying to measure the variables that characterize the pattern of development, I will not attempt to find cross-sectional or time-series correlations between any of these variables and a measure of dependence.[29] As I have argued in the previous section, I believe that such correlations can provide evidence against the hypothesis that dependence inhibits economic growth and industrialization. However, in the case of the variables characterizing underdevelopment in its broader sense, I suspect that such correlations (were it possible to obtain them) would be consistent with the hypothesis that dependence causes underdevelopment. For the purposes of this essay, I am quite prepared to accept that there are positive correlations between dependence and each of the four variables under consideration.

It does not follow from the existence of such a pattern of correlations that dependence actually <u>causes</u> underdevelopment. To establish such a causal relationship one must consider also other possible sources of underdevelopment and try to separate out their effects. One particular alternative hypothesis that suggests itself in the present context is that it is the normal operation of the capitalist mode of production, rather than dependence <u>per se</u>, which results in the problems associated with the dependent capitalist form of development.[30] The distinction is an important one, for if capitalism rather than dependence is at the root of the problems of the dependent nations, then reducing dependence without altering capitalist relations of production will not solve those problems. In the rest of this section of the essay I will therefore try to determine to what extent the four characteristics of underdevelopment discussed above can be attributed to dependence in particular rather than to capitalism in general.

What causes the large and often increasing inequalities that apparently characterize so many dependent nations? Certainly the very logic of the capitalist mode of production implies that economic growth will occur in a very uneven manner, accompanied by significant regional and class inequalities of income distribution.[31] Moreover, historical evidence indicates that the economic growth of the nations of the capitalist metropolis generated increasing inequalities at least until a fairly advanced stage of development.[32] Both on theoretical and on empirical grounds it appears that independent as well as dependent capitalism can generate great economic inequity.

Of the five theoretical arguments cited earlier which underlie the hypothesis that dependence exacerbates inequality, there are two which seem to apply much more forcefully to a dependent than an independent form of capitalist development. These two points are that foreign economic domination leads to the use of excessively capital-intensive techniques of production and excessively capital-intensive patterns of consumption. Insofar as productive technology and commodity composition are oriented to conditions in the capital-rich metropolitan countries rather than to conditions in a relatively labor-abundant dependent country, property-owners will gain at the expense of labor-sellers and income inequality will be aggravated. As far as the concentration of investment, the displacement of small enterprises, and opposition to redistributive policies are concerned, domestic capitalists could be expected to behave in very much the same way as foreign capitalists. All of these phenomena certainly characterized the early growth experience of the metropolitan capitalist nations.

There are, to be sure, some other major differences between the conditions facing dependent nations in the modern period and the conditions facing the more independent capitalist nations in the nineteenth century. The difference with the greatest impact on income distribution is most probably demographic: a much more rapid rate of growth of population in the modern period, combined in many countries with an already high density of population. The greater the relative size and the rate of growth of the labor supply, the more difficult it is for the working classes to capture some of the benefits of capitalist economic growth. But to the extent that this may be aggravating inequalities in the modern period, it cannot be attributed to dependence. Instead, it is due to a characteristic of the contemporary economic environment which would affect capitalist development dependent or not.

It will be readily apparent that a similar line of reasoning applies to the sources of unemployment and underemployment in dependent nations. It is in the basic class interest of capitalists to maintain an "industrial reserve army" of surplus labor, for it helps to limit wage demands, enforce work discipline, and otherwise maintain conditions favorable for profit-making and accumulation.[33] The history of early capitalist development in the metropolis involved intensive efforts to augment the supply of labor available to the capitalist sector -- whether by driving independent farmers, artisans and small-scale producers out of business, by recruiting foreign laborers, or by encouraging immigration. Although overt unemployment was not always in evidence, labor markets only became tight at a relatively advanced stage of development. Conditions of surplus labor and unemployment are therefore to be expected in any process of capitalist development.

There can be no doubt that the extent of unemployment characterizing modern dependent capitalist development has been aggravated by the density and growth of population in the contemporary period. This, however, can not be attributed to dependence. As in the case of inequality, dependence is likely to exacerbate unemployment mainly insofar as it has an independent impact on techniques of production and the commodity composition of consumption. To the extent that dependence promotes greater capital intensity in either of these respects, it reduces the demand for labor and retards the growth of gainful employment.

Turning to the impact of dependence on wasteful patterns of expenditure, one must again conclude that its independent explanatory power is limited. Large military budgets are by no means confined to dependent nations within the modern world capitalist system. They are to be found in many metropolitan capitalist nations at present and in the past, as well as in nations outside of the capitalist orbit. Wasteful spending by firms on advertising, and by consumers because of advertising, is inherent in the capitalist mode of production. One can argue that it has become much more widespread in the modern era because of a long-run trend towards a more oligopolistic form of capitalism,[34] but this can be attributed in large part to the contemporary economic environment rather than to dependence _per se_.

There are, however, some respects in which dependence might well tend to aggravate the problem. To the extent that foreign domination accelerates the trend toward an oligopolistic, advertising-oriented form of capitalism within a dependent nation, it may exacerbate wasteful patterns of expenditure. But one must not assume that foreign domination is the only (or even the primary) reason for the absence of perfect competition in many markets in dependent nations. A more significant consideration is probably the demonstration effect discussed earlier in the context of the capital intensity of consumption patterns. To the extent that foreign domination helps to divert consumption in dependent nations from indigenous products with which consumers are very familiar to alien products that have been heavily advertised and packaged, consumers may find themselves spending more and receiving less in terms of real value.[35] Domestic as well as foreign capitalists will seek to influence consumer tastes in favor of their own products, but one can reasonably assume that capitalists whose business originates in a very different social and cultural environment will have a greater need (and probably a greater capacity) to do so.

The last of the dimensions of underdevelopment which I will consider here is the lack of national control over social, political and cultural life. In this case I think that it is almost self-evident that the greater the degree of foreign domination of an economy -- i.e., the greater the extent of foreign control over the means of production and communication, the sources of finance and technology, and economic decision-making in general -- the greater will be the foreign influence on most non-economic spheres of life. Thus I think that a very strong case can be made that dependence in the economic sphere contributes to a generalized loss of national sovereignty.

I think it is important to recognize, however, that loss of sovereignty in a more fundamental sense is a consequence of capitalism in general rather than dependence in particular. Whatever its formal political framework, the economic structure of a capitalist society is highly authoritarian.[36] In any capitalist society control over the means of production and communication, etc., is in effect concentrated in the hands of a relatively small and privileged elite. From the point of view of most inhabitants of even the most advanced capitalist society, this elite represents a kind of alien presence with great autonomy and power to shape the economic life of the society. (Indeed, in almost all of the metropolitan capitalist countries there are clear channels of regional dependence as well as the kind of generalized social dependence I have just described.) To the extent that economic power is translated into power over other spheres of life -- and this is surely a significant extent -- the lack of economic power of the average person within any capitalist society results in a loss of popular sovereignty in exactly the same way that dependence leads to a loss of national sovereignty.

There are some reasons to believe that dependence may aggravate the loss of popular sovereignty associated with any form of capitalist development. First, it may be argued that the social distance between the average person and an indigenous elite is less than that between the average person and a foreign elite, with the result that decisions made by the former are more likely than decisions made by the latter to be in the popular interest. This is certainly plausible, if not always necessarily true. However, it affects only the outcome and not the process of decision-making; it does not alter the fact that the average person does not meaningfully participate in the decisions affecting his or her life.

A second possible argument is that foreign domination is more likely to result in authoritarian political structures, while an indigenous form of capitalism is more conducive to a democratic political system. While bourgeois democracy cannot be equated with effective popular sovereignty, it may allow for some degree of popular control over the economic power of the elite. It is certainly true that authoritarian political rule is more widespread among relatively dependent nations than among the metropolitan capitalist nations today.[37] It is also true that in many instances foreign capitalists have shown strong support for authoritarian regimes in dependent nations, and that the diplomatic, economic and even military power of metropolitan capitalist governments has been used to promote such regimes. Yet there are clearly many other sources of authoritarian rule in third world nations, and it is questionable whether a democratic form of capitalist development would be much easier to sustain under less dependent conditions. In the modern world private property and inequalities of wealth, income and power are increasingly the object of popular antagonism, thanks in part to the growth in strength of socialist movements. Capitalist hegemony is being challenged to a much greater extent than in the early stages of capitalist growth in the more democratic metropolitan nations -- challenged both by workers seeking higher wages at the expense of profits and by radical movements aiming for revolutionary change. For this reason alone the maintenance of a viable capitalist economic order would appear likely to require increasingly repressive measures on the part of pro-capitalist political authorities. The maintenance of a foreign-dominated capitalist economic order might well require an even greater degree of repression, to counter nationalist as well as populist forces, but this is again a matter of degree rather than a qualitatively different situation.

In summary, I believe that inequality, unemployment, waste and a lack of popular sovereignty are elements of underdevelopment which do indeed characterize dependent nations. The degree of severity of these aspects of underdevelopment may well be correlated with the degree of dependence of a nation, although it is very difficult to establish this and I have not attempted to do so. My main point is that these aspects of underdevelopment cannot simply be attributed to dependence *per se*, for they are inherent in the operation of the capitalist mode of production whether or not it takes a dependent form. It is more appropriate to view dependence as aggravating conditions of underdevelopment that are inevitable under capitalism than to view dependence as a major cause of underdevelopment.

IV. DEPENDENCE AND THE VIABILITY OF CAPITALIST DEVELOPMENT

While almost all dependency theorists would agree with the proposition that dependence causes underdevelopment (in some sense), not all would be prepared to defend the stronger proposition that dependence leads to an unviable pattern of development. Some dependency theorists simply do not address the question of viability, contenting themselves with an analysis of the relationship between dependence and underdevelopment and (often) a moral condemnation of both. Others -- in the spirit of orthodox Marxism -- find such normative judgments about a system much less useful than positive analyses of its viability, the forces which enable it to reproduce itself over time and the contradictions which may prevent it from doing so. Most dependency theorists who have addressed the question believe that dependent capitalist development will not prove viable in the long-run for contemporary third world nations, although this view has recently come in for some sharp criticism.[38] In the following paragraphs I will examine the issue in the light of the points that I have made earlier in this essay.

The hypothesis that dependence leads to an unviable pattern of development is a particular variant of the more general proposition that dependent capitalist nations in the modern world cannot repeat the experience of the more independent capitalist nations in the nineteenth century. Whatever the undesirable concomitants of capitalist development in the metropolis, it has proven to be viable on its own terms for a very long period of time. If capitalism in the third world today cannot be expected to remain viable for so long a period, it must be because of differences between conditions in the metropolis and in the third world. Could dependence *per se* represent the critical difference?

It seems to me that there are two kinds of arguments that could be made (and have been made) to justify the identification of dependence as the key variable affecting the viability of capitalist development in the third world. These two arguments are based on the two general hypotheses I have examined in sections II and III. If dependence inhibits economic growth, then it might well lead to intolerable tensions within dependent nations because the stability and the legitimacy of a capitalist order depends heavily on its capacity to deliver an ever-increasing volume of goods and services.[39] Alternatively, if dependence permits aggregate growth but causes a pattern of development that is qualitatively much more undesirable than in the case of metropolitan capitalist growth (i.e., much more unequal, wasteful, authoritarian, etc.), then one might reason that popular resistance could be so great as to threaten the existing order.

But my analyses in sections II and III cast considerable doubt on the premises of these two arguments. If dependence is not a significant independent factor inhibiting the economic growth of third world nations, then the first argument loses its validity. And if dependence is not a primary cause of undesirable patterns of development, but instead serves only to aggravate them, then the second argument becomes questionable. It remains possible that the additive effect of dependence makes the difference between a tolerable and an intolerable pattern of capitalist development, but this form of the argument is much weaker than the original hypothesis and might in any event be difficult to sustain.

Even if one consigns dependence to a minor role in the analysis, one might still be able to support the more general proposition that dependent capitalist development in contemporary third world nations will prove unviable. There may well be important differences between the present and the past which are not encompassed by dependence <u>per se</u>. Indeed, in isolating the limited role of dependence in section III, I drew attention to several such differences involving the economic environment of contemporary third world countries; some of these differences also have a significant bearing on the question of viability.

There are several factors other than dependence which might well retard the growth or worsen the pattern of development of dependent capitalist nations in the present as compared to metropolitan capitalist nations in the past. Higher densities and/or rates of growth of population are likely to exacerbate inequality and unemployment, and in countries with already high rates of unemployment or underemployment the growth of per capita output may also be adversely affected. The governments of dependent capitalist nations today are likely to face much greater demands from organized workers and the urban middle classes in general for various social services, minimum wage guarantees, etc., all of which serve to cut into the surplus that might otherwise be used by the state or private business for capital accumulation. To the extent that capitalists (domestic or foreign) succeed in resisting such demands, they may be able to do so only at the cost of domestic political repression on a scale that was unnecessary in an earlier era of capitalist accumulation. This repression itself calls for wasteful police and military expenditures, and by crushing popular sovereignty it undermines the legitimacy and accentuates the undesirable character of the development process.

If for some of the above reasons (or for other reasons that I have not mentioned) the process of capitalist development in modern dependent nations is peculiarly limited and distorted, then it is that much more likely to generate popular discontent and social and political tensions. Perhaps even more important in distinguishing the present from the past environment is the fact that there now exist in the world examples of nations where a socialist movement has been successful in eliminating capitalist domination. These nations provide vivid evidence that the capitalist order is not an inevitable one, and they provide inspiration and sometimes direct assistance to anti-capitalist forces elsewhere in the world. Thus capitalism in modern third world nations is considerably more vulnerable to social and political tensions than it was in the past history of the metropolitan nations.

This greater vulnerability is likely to be further heightened to the extent that the strength of anti-capitalist forces is fused with the nationalism that is generated by dependence on <u>foreign</u> capital. It is in this context that I believe dependence has its greatest impact on the viability of the capitalist order in the third world. The joining of populist forces opposed to capitalism with nationalist forces opposed to dependence, in the context of a realistic socialist alternative, poses a threat to dependent capitalist development in the present that is much more substantial than the threat to the less distorted and more independent process of capitalist development in the past.

The recent histories of Cuba, Vietnam, Cambodia, and Laos -- as well as other countries where capitalism has to varying extents been rejected -- suggest that dependent capitalist development may indeed prove to be unviable in many third world countries. Yet these very same examples indicate that it is only under rather special circumstances that a socialist revolution can succeed against a capitalist order that is generally defended by the might of the metropolitan capitalist nations. Even where dependent capitalism proves to be internally unviable, it can be propped up for a long time -- if not indefinitely -- with external support from the metropolis.

In conclusion, I have argued in this essay that dependency theorists have tended to place too much emphasis on the role of dependence <u>per se</u> in analyzing underdevelopment in the third world. I believe that it is necessary to recognize the extent to which the natural operation of the capitalist mode of production, and elements of the economic environment unrelated to dependence, have shaped the pattern and affected the viability of dependent capitalist development.

To this criticism some dependency theorists might well respond by pointing out that they use the term dependence not to deflect attention from capitalism but to characterize the whole syndrome of dependent capitalist development.[40] But I would argue that this only serves to confuse the issues. I think it is important to maintain the analytical distinction between dependence and capitalism that I have made in this essay, and to distinguish the effects of dependence from the effects of other aspects of the current economic environment. This is because primary emphasis on dependence (however it is defined, and especially if it is not defined clearly) tends to reinforce the erroneous view that a shift from a dependent to a more independent form of capitalism would significantly improve the pattern of development in third world countries. As I have tried to show in this essay, and as I am sure many dependency theorists would agree, there is little hope of overcoming the multidimensional condition of underdevelopment unless a reduction in dependence is combined with fundamental changes in the whole socioeconomic order.

FOOTNOTES

1. For useful surveys and bibliographies of the dependency literature, see Girvan (1973), Chilcote (1974) and O'Brien (1975).

2. For an earlier effort to clarify and analyze key propositions in the dependency literature, see Lall (1975). Lall devotes much of his article to a critique of the use of dependence as a discrete category for classifying countries, but he also investigates some causal propositions relating dependence to underdevelopment. Although I do not fully agree with Lall's analysis, I found it very useful in providing a framework for developing my own critique of the dependency literature. I have drawn upon his work at several points and I wish to record here my indebtedness.

3. Throughout this paper I will use the term "third world" to refer to all nations and territories in Africa, Asia and Latin America (including the Caribbean) with the exception of Japan and the socialist nations of China, Cuba, Mongolia, North Korea and North Vietnam. Any such definition is bound to be arbitrary at the margins, and I will not try to defend my own choice here. I should note, however, that as of 1975 Cambodia, Laos and South Vietnam should be included among the socialist nations.

4. I will use the term "capitalist metropolis" to refer to the capitalist nations of North America and Western Europe as well as Japan, Australia and New Zealand. As in the case of the third world, the choice of countries to be included in the capitalist metropolis is somewhat arbitrary. In this essay I allow for the possibility that metropolitan as well as third world nations may be "dependent", so I am not troubled by the inclusion of such nations as Greece, Ireland, Portugal and Spain in the metropolis.

5. The trend towards greater market dependence in the metropolis has manifested itself clearly in recent years in the coincident timing of inflation and recession in all of the major capitalist nations.

6. See, for example, Baran (1952 and 1957) and Fernandez and Ocampo (1974).

7. This view is most forcefully expressed by Warren (1973); in a much more qualified form it appears to be held by many others, e.g., Cardoso (1972) and Sunkel (1973).

8. Here I am using the term "capitalism" in the sense which I believe is closest to Marx's conception. For a very useful discussion of alternative conceptions of capitalism in the context of Latin America, see Laclau (1971).

9. Seers (1969) makes an appeal for a broader conception of development which is representative of the changing views of many economists on this subject.

10. Baran (1952 and 1957) clearly believes that dependence inhibits long-run economic growth as well as industrialization. Frank (1966 and 1967) at times appears to share this view, and at other times argues only that industrialization is inhibited. Even this view he sometimes qualifies by referring to an autonomous or independent form of industrialization.

11. As O'Brien (1975, p. 24) has observed, dependency arguments have often taken a circular form because the essential characteristics of dependence and underdevelopment are not clearly defined and distinguished.

12. For efforts to carry out cross-country statistical tests of the relationship between certain indicators of dependence and underdevelopment, see Stoneman (1975) and Chase-Dunn (1975). Stoneman investigates the relationship between foreign capital and economic growth and finds a significant positive association between growth and the net inflow of foreign aid and investment, but a significant (if small) negative association between growth and the existing stock of foreign direct investment. Chase-Dunn investigates the relationship between three indicators of dependence -- "investment dependence", "aid dependence", and "trade dependence" -- and aggregate economic growth as well as income inequality; he finds some significant negative correlations between certain dependence indicators and measures of economic growth, and some less significant positive correlations between dependence and income inequality. These studies are interesting and suggestive, but their results cannot be considered very significant because the limited availability of reliable data makes it difficult to quantify accurately some of the key variables in the analysis. Of particular importance in the present context is that none of the measures of dependence used by Stoneman or Chase-Dunn provides a good approximation of the concept as I have defined it in this essay.

13. This is clearly the view of writers such as Bodenheimer (1971) and Frank (1972).

14. See, for example, Baran (1952 and 1957).

15. See, for example, Bodenheimer (1971).

16. Kuznets (1972, Table 9) found, after adjusting United Nations figures to improve their comparability, that the annual rate of growth of per capita product averaged more than 4% in the "developed" countries and less than 2% in the "less developed" countries between 1954-58 and 1964-68.

17. The World Bank study, reported by Chenery (1971), started with 75 countries with per capita incomes of less than $600 (in 1964 prices). Of these 75, roughly 10 were outside of the third world as I have defined it (see footnote 3). Table 2 in Chenery (1971) lists 29 "high growth" countries from the World Bank sample of 75; from these 29 I have excluded Greece, Japan, Yugoslavia, Spain and Bulgaria to arrive at a list of 24 high growth countries within the third world. More recent data published in the World Bank Atlas (1974) show that high growth rates continue to characterize many third world countries: 30 out of a total of 88 showed growth rates of per capita product averaging more than 3% per year between 1960 and 1972.

18. It is true that in recent years the crisis in the world capitalist economy has slowed down rates of growth in many countries. But unless one is prepared to predict that there will be no real recovery from the crisis, the experience of recent years does not imply that the long-run economic growth of the dependent nations will be seriously threatened. Even if the long-run growth of dependent nations is in fact slowed down by a generalized crisis of the world capitalist economy, this would represent a very different kind of growth inhibition than what is implied by the dependency literature. For it is the very essence of that literature that dependence enables the metropolis to benefit at the expense of dependent nations, i.e., that the development of dependent nations is limited by a process which simultaneously stimulates the development of the metropolis.

19. I have calculated from data published in the United Nations Statistical Yearbook (1968 and 1973; Table 4) that the annual rate of growth of manufacturing output averaged 7.3% in "developing market" economies and 5.2% in "developed market" economies between 1950 and 1972. For more evidence on the relative growth of manufacturing output in the third world and the metropolis, see Warren (1973, pp. 5-10).

20. See Chenery (1971, Table 2); the same evidence is presented in Warren (1973, Table III).

21. Warren (1973) seems to me to draw excessively optimistic conclusions about development prospects in the third world from the same kind of data which I have discussed here. For a useful -- if sometimes also excessive -- antidote to Warren (1973), see McMichael et. al. (1974).

22. McMichael et. al. (1974, p. 86) assert that "Much of what Warren has euphemistically referred to as 'industrialization' has been in large part the development of 'assembly plant' operations". This may well be true, although hard evidence is not easy to find. But it raises more fundamental questions: precisely what kind of industrialization should be considered significant, and why?

23. This approach is clearly reflected in Cardoso (1972) and Sutcliffe (1972); in his more recent work, Frank (1972) also appears to have moved considerably in this direction.

24. See Müller (1973) for a summary of many of the arguments advanced by dependency theorists to show why the activities of multinational corporations are likely to exacerbate inequality, unemployment and waste.

25. The evidence is most clearly summarized and analyzed in Paukert (1973).

26. Fishlow (1972) provides clear evidence that income inequality has increased in Brazil; Weisskoff (1970) provides evidence suggesting increasing inequality in Argentina, Mexico and Puerto Rico; and Weisskopf (1975) reviews evidence pointing to increasing inequality in India. Chenery et. al. (1974, p. 14) present evidence on the rate of growth of income of the poorest 40% of the population as compared with the rate of growth of total GNP for 18 countries, based on observations made at two different points in time. According to these figures, there were 8 third world countries in which the position of the poorest 40% deteriorated, 1 in which it did not change, and 4 in which it improved; the remaining 5 countries were not in the third world.

27. On the basis of an elaborate cross-country statistical analysis of the relationship between economic development and income distribution in 43 "developing" countries, Adelman and Morris (1973, p. 189) concluded that "development is accompanied by an absolute as well as a relative decline in the average income of the very poor." In introducing a World Bank study of economic growth and income distribution, Chenery (1974, p. xiii) states that "evidence of growing inequality in the Third World has come to light over the past five years". Such observations are suggestive, but they cannot be considered conclusive because the evidence on time trends of inequality in third world countries remains very weak.

28. A good review of much of the salient evidence is provided by Turnham and Jaeger (1971).

29. Chase-Dunn (1975) undertakes cross-country tests of the relationship between two measures of income inequality and three indicators of dependence. His results provide some tentative evidence that dependence increases inequality, but -- as noted in footnote 12 -- the problems with such a statistical analysis are so great as to cast great doubt on the significance of the results.

30. Lall (1975) argues that capitalism rather than dependence is the primary source of the problems associated with the pattern of development in contemporary third world countries. He is right to emphasize the importance of capitalism, but I think he goes too far in minimizing the significance of dependence.

31. For an analysis of the logic of the capitalist mode of production, see Edwards, Reich and Weisskopf (1972, chapter 3); section 3.7, "Capitalism and Inequality", is especially relevant in the present context.

32. See Kuznets (1955) for a discussion of historical evidence on the relationship between capitalist economic growth and the distribution of income.

33. The importance of an industrial reserve army for capitalism is a major theme in Marx (1967); for an interesting demonstration of its continued validity in the context of advanced capitalist nations in the modern era, see Boddy and Crotty (1975).

34. The growth of wasteful spending under conditions of "monopoly" (i.e. oligopolistic) capitalism is discussed in great detail by Baran and Sweezy (1966); one may not agree with all of their analysis, but one can hardly dispute the basic trends which they describe.

35. This point is vividly illustrated by Barnet and Müller (1974, pp. 182-184) in a discussion of the adverse effects of advertising by multinational food companies on the dietary habits of low-income consumers in third world countries.

36. See Edwards, Reich and Weisskopf (1972, chapter 3) for an analysis of the basic economic structure of a capitalist society.

37. Freedom House (New York) publishes annually a "Comparative Survey of Freedom" in which all nations of the world are scaled according to their "political rights", "civil rights", and "status of freedom". A glance at any recent survey is enough to show that -- by their conventional bourgeois democratic standards -- there is much more "freedom" and less authoritarianism in the capitalist metropolis than in the third world.

38. Baran (1952), Bodenheimer (1971) and Weisskopf (1972), among many others, have argued that dependent capitalist development will prove unviable. This view has been strongly criticized by Warren (1973), Lall (1975) and Pettengill (1975).

39. The importance of economic growth for the viability of a capitalist society is discussed in Weisskopf (1977).

40. For example, Bodenheimer (1971, p. 165) asserts that "to break out of dependency means, then, to break out of the capitalist order whose expression in Latin America is dependency".

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