

**Post-Dependencia and Its Discontents:
Neoliberal Globalization, Growth, and Grief**

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**IPE Seminar
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U. of Utah
Spring 2001**

Introduction

*“The capitalist system is one in which the ceaseless accumulation of capital is not only possible, but legitimated and given social priority. Those who do not play by its rules lose out - economically, politically, and culturally. The genie, which was always there, was let out of the bottle. ... Never did this genie seem so strong as in 2000. A few celebrate this; many deplore it; most people simply suffer it”*¹ —Immanuel Wallerstein

At the heyday of the Cold War, when the US and the USSR were at loggerheads, Samuel Huntington and W. W. Rostow were among the intellectual elite, some of whose research and writings were directly funded by the realist establishment, and whose generated theoretical models of economic and political development were used by the U.S. hegemon to contain communism and win the allegiance of allies.² For Rostow and Huntington, the lesser developed countries or the Third World³ were in a state of poverty due to their primitive social and political development, and liberal neoclassical economic growth in the likes of the capitalist West would be the natural and eventual evolution of such societies—if only the right circumstances existed. The transition from primitive, rural, agricultural, and less developed to urban, advanced, industrial, and developed societies was not to be easy. Yet, with the right political and economic regimes, they argued, it would happen. Along with billions of dollars worth of military and political assistance to buttress friendly Third World regimes (which included the containment of communism), the West encouraged the international financial institutions, namely the World Bank and the International Monetary Fund, to provide proper advice on economic policy and development to the Third World and to extend sufficient credit for use by such societies to begin their developmental transformation.

At around the same time, another group of intellectuals was constructing its own model of economic development or underdevelopment with inspiration from leftist and Marxist ideology. Andre Gunder Frank, and to a lesser degree, Fernando Enrique Cardoso were among two (North and South) Americans who formulated a parsimonious model of underdevelopment, what became known as 'dependency theory' or 'dependencia' (due to its heavy use of Latin American examples). Frank, Cardoso and others argued that the reason behind the

¹ Wallerstein (2000).

² In 1968, Huntington published Political Order in Changing Societies (Yale University Press), while at about the same time, Rostow wrote The Stages of Economic Development: A Non-Communist Manifesto.

³ In this paper, for sake of parsimony, I shall refer to the less developed countries (LDCs), the periphery, semi-periphery, and satellites in one general term of the 'Third World'.

lack of economic development of the Third World was not the latter's non-involvement in the world economy, but that the very involvement in the system of international capitalism was the cause of their misery. (I will further elaborate on dependencia and development below).

This paper seeks to briefly analyze the following: Why did the dependency model fail to gain sufficient momentum, and in essence lose to the neoliberal model of economic development? Upon the end of the Cold War, during the acceleration of globalization and the spread of neoliberal values worldwide, why did not the neoliberal promise of development in the Third World, much of it promoted by the international financial institutions, as in the World Bank and IMF, take place? Furthermore, is there still hope for dependencia? Last, what are some practical solutions for Third World poverty within or without the said models of development?

Development & Dependencia

*“The Church's traditional imagery of heaven and of hell is graphic and explicit. Although it cannot prove that anyone has ever gone there, it still issues the visas to the promised land. The [World] Bank paints no pictures with saints, angels and demons but it does put up signposts pointing towards paradise, exhorting the faithful to imitate the blessed—the now developed rich market-economy countries ...”*⁴ —Susan George & Fabrizio Sabelli

Development theory, in its classical sense, was originally formulated by Hegel and Marx, who saw the "sudden acceleration in the rate of change" in economic interactions as the precursor to capitalism and its system of production.⁵ However, what eventually become known as economic development originally came into being in the 1950s, when the former colonizing powers of Britain, France and Portugal were seeking increased productivity of their colonies, an era that also saw decolonization gradually become the norm. This type of development theory, therefore, had a practical orientation and was prescriptive, while the nations it was prescribing to had increasingly been looked upon as prime Cold War properties or strategic units. Additionally, the Bretton Woods finance and trade regime affected the overall structure of development theory. Initially, for example, control of capital was thought to be a domain of the government, who in turn had the responsibility of overseeing conditions that would maximize economic growth and employment.⁶

⁴ George and Sabelli (1994:249).

⁵ Leys (1996:4).

⁶ Leys (1996).

As noted earlier, later theoreticians of development, in the 1960s, were primarily North and South Americans, some championing the neoclassical version of the market, free trade, relative openness of capital flow, increased agricultural efficiency, and industrialization as the route to growth. This became known as the "modernization theory" of development, postulating that traditional societies of the Third World must go through the same processes of development, which led Europe and North America to industrialize and grow.⁷ Others, lead by Frank, formulated a counter theory, that of dependencia. According to dependencia, capitalism's structure and development throughout history has had two simultaneous and divergent effects: economic development in some parts of the world referred to as the 'metropolis' or 'center', and underdevelopment in other parts labeled the 'periphery' or 'satellites'. The structure of dependencia allows for the metropoles to be modern, capitalist and economically developed, while the satellites remain isolated, subsistence-based, feudal or rural, and economically underdeveloped.⁸ Immanuel Wallerstein's 'world system' model with the division between the 'core-states' and 'peripheral areas' is also a form of dependencia.⁹

Cardoso wrote in 1977 that the neoclassical liberal model of development attempts to justify nonindustrialization for Latin America due to its emphasis that agricultural production and export is to the comparative advantage of Latin economies. 'Los dependentistas'—as we shall call them—also criticized modernization theories, which entailed a natural progression in democracy, industrialization and expanding middle class. They argued that modernization theory leads to "bureaucratic authoritarianism".¹⁰

Frank proposed five broad hypotheses within the metropole-satellite structure of dependencia: First, the development of the 'national and subordinate metropoles', as opposed to the 'world metropolis'—which is no one's satellite—, is by very nature of its dependence limited. The second hypothesis is that satellites experience their greatest economic growth and industrialization when their ties to the metropoles are weakest. Third, the most underdeveloped regions are also the ones, which have had the strongest ties to the metropoles. Fourth, large farms employing local labor in Latin America—'latifundium'—were born out of capitalist enterprise and evolved due to

⁷ Ibid.

⁸ Frank (1966).

⁹ Wallerstein (1974).

¹⁰ Pakenham (1992).

market forces; and five, due to the exploitative metropole-satellite structure, latifundia have seen an overall decline in their productive capacity.¹¹

Dependencia theory holds that few states, if any, are able to develop while holding the status of satellite. Moreover, few non-Western capitalist states have not been in that category. According to Frank, Japan is an example of a resource-poor country that was not "satellized" and hence was able to develop and industrialize on its own in the latter part of the 19th century within the capitalist world system.¹² Dependencia holds that the requirements of participating in the global economy often require the Third World to make difficult choices between costly mechanisms of conforming with international financial standards or spending the same funds on services for the people. In the case of today's Peru, for example, the central bank's reserves equivalent to 15 months of imports, used as an insurance policy against potential hasty outflow of international capital, is equivalent to one percent of its GDP, sufficient to fund a formidable anti-poverty program.¹³

Post-dependencia: Call the undertaker!?

Is dependencia dead or is the reading of her obituary premature? She died, at least for some who are now advocating neoliberal economic growth, including a chief adherent, Cardoso. A former leading Latin American dependencia theoretician, Cardoso has made a near-180-degree shift in his ideological stand. Currently holding the Presidency of the largest and most populated Latin American state, Brazil, Cardoso has become a virtual advocate of neoclassical development, encouraging his country to fully participate in the global economy via the neoliberal principles of trade and capital account liberalization. Today, Brazil is one of the most heavily indebted states in the world. At the same time, international investors consider investment in the Brazilian economy as a prime opportunity among the so-called 'emerging markets'. For another former follower, president Lagos of Chile, and yet another, Jorge Castaneda, advisor to the new Mexican president, Vicente Fox, dependencia is as well dead or dying. Two reasons can be cited for the relative demise of dependencia. One is the end of the Cold War with the apparent victory of the forces of free market and democracy.¹⁴ The end of the Cold War, in conjunction with regional economic crises of the 1990s, lead to

¹¹ Frank (1966).

¹² Ibid.

¹³ Rodrik (2001).

¹⁴ Leys (1996).

the demise of the "authoritarian-oligarchic capitalism" in much of the Third World, including Asia¹⁵ and Latin America. The second reason behind her demise is dependencia's theoretical repetition and stagnation,¹⁶ which includes its inability to adjust to specific cases, and its inability to suggest solutions to the very problem of underdevelopment it eloquently describes. Kay accuses dependencia of using an "eclectic combination of orthodox theory and revolutionary phraseology".¹⁷ Another criticism has been that classic Marxism is not comfortable with national units and considers classes and modes of production being the fundamental realities. Yet, dependentistas have forced a marriage between Marxism and nationalism, a union, which some have considered "volatile, unstable, and contradictory".¹⁸ All said, however, despite the lack of doubt in the decline of her popularity, a funeral arrangement for dependencia is still premature.

Not all have abandoned her. The chief proponent, for example, has only modified his theory. Frank is now advocating a Wallersteinian world system model with five pillars. The first being the 5,000-year-old world system history; second is the process of capital accumulation as the "motor force" of the system; third is the center-periphery structure; fourth is the "alternation between hegemony and rivalry" in the regions of the world system; and the fifth pillar is the concept of economic cycles which characterize the ascending and descending world system.¹⁹

Yes. A call to the undertaker is premature. There are reasons to believe that the world of post-dependencia is not independent of dependencia-style diverging forces or dependencies. One such force is the continued globalization, what the Zapatista Commandante Marcos calls the "hemorrhage that fattens the powerful".²⁰ According to Mittleman, globalization has raised tension in four dimensions. We can call them the political, legal, moral and equity dimensions of globalization. The tension within the political dimension is the previously slow and now accelerated process of flow of goods, services, capital and information across the Westphalian-assumed boundaries. The legal dimension carries the tension between the forces of greater globalization and demands for accountability. The moral dimension involves the modern values of neoliberalism in direct conflict with what

¹⁵ Gills (2000:381).

¹⁶ Leys (1996).

¹⁷ Ibid:45.

¹⁸ Pakenham (1992:35).

¹⁹ Frank (1996:42).

²⁰ Kapur (1999).

traditionally have been family, neighborhood and village values. In addition, the dimension of equity involves tension between those who benefit economically from globalization and the marginalized, i.e. the widening gap between winners and losers.²¹

Furthermore, the neoliberal model of development is already hitting some snags, and some of its major agents of change, the World Bank and the IMF, have come under increasing criticism. Neoliberal globalization, characterized by the promotion of trade and financial liberalization, increased internationalization of corporate production and distribution strategies and intensification of electronic transactions of goods and services, is argued to be problematic for the economic development of the Third World, especially the 'semi-periphery' economies. A look at the 1994 financial crises of Mexico and Turkey, and that of Thailand in 1997 concludes that all three economies were over-dependent on short-term capital flows, and all had economies characterized by premature capital account liberalization and inadequate investment and banking regulations.²² Neoliberalism, therefore, has been criticized for its inappropriate solutions to economic underdevelopment. Furthermore, structural adjustment policies, promoted by the IMF, many argue, has brought not stability but "adversely affected the capacity of state[s] to promote economic recovery and growth ...". Such 'adjustment' policies have neither alleviated poverty nor narrowed the income distribution.²³

The Bank has not had a rosy portfolio in its dealings with the Third World either. Some argue this to be true since its activities are not based on sound economic and financial judgement. George and Sabelli describe the Bank's function as being mostly detrimental to the host countries. First, the Bank promotes international trade, often at the expense of domestic economic transactions. It does so religiously, based on dogma, rather than secular scientific sense.²⁴ George has labeled the classic neoliberal model of economic development as "mal-development", arguing that development has lost its meaning, that the model is merely imitative, costly and outward-rather than inward looking.²⁵ Second, the Bank, though appearing to be a promoter of *laissez-faire* is in reality an interventionist institution. It fears that if it were to leave countries especially the Third World alone, they might—*Dios economicus* forbid—operate "not on the basis of the market-

²¹ Mittleman (2000).

²² Onis and Aysan (2000).

²³ Haggard and Kaufman (1995:309).

²⁴ George and Sabelli (1994).

²⁵ George (1993:87).

place but on principles of reciprocity, redistribution or solidarity". These had been functions, one might add, of traditional states.²⁶

The development philosophy or 'dogma' of the Bank is supposedly 'poverty-focused', yet, with no "grand design beyond the casting of all economies in the neoclassical mould and the refashioning of all men and women as *Homo economicus*".²⁷ In essence, the Bank seeks an ontological and reconstructed redemption of Mankind, whose new dwelling place shall be the market, with a "will and capacity to [continuously purchase and] accumulate, to follow self-interest and to maximize profit in all things".²⁸ In recent years, the Bank admits to some of its own failed policies, such as its support for aid to dictatorial regimes during the Cold War. Billions of dollars of foreign aid to Zaire, for example,—some of which were Bank loans and grants—encouraged virtually nothing but incompetence, corruption, and misguided policies," a Bank document says.²⁹ Furthermore, though the Bank still holds that rapid economic growth through neoliberal globalization, which includes expansion of international trade and openness to capital flows, in conjunction with macroeconomic stability is necessary for overcoming poverty, it now considers that "invest[ing] in people, by providing basic social services to the poor" is also a viable anti-poverty scheme.³⁰

The lack of precision of the neoliberal development theory, its inability to be generalized and to yield consistently positive results, has led the Bank economists to "plough ahead with an increasingly incoherent discourse of opposites". For example, Bank bureaucrats argue that the state is needed, somewhat, only to make the market function; that democracy is essential, yet, not "if it leads to inappropriate demands for redistribution";³¹ that the states which are experiencing economic woes are either not with the Bank and IMF programs, in which case they should relent and liberalize their markets; or they are not sufficiently liberalizing, in which case they should increase and accelerate the selling of state-owned industries, reduce subsidies, increase taxes, balance the national budgets at all costs, focus on export-earning industries, and yes, they continue to borrow from both institutions.

²⁶ George and Sabelli (1994:249).

²⁷ Ibid:8.

²⁸ Ibid:249.

²⁹ World Bank (1998:1).

³⁰ World Bank (1994:30).

³¹ Leys (1996:26).

Suggestions for doctor and patient

Regardless of the rumors of the passing or the near-death experience of dependencia, it is understood that the body of the Third World is experiencing an illness with multiple social, economic and political symptoms. It is hereby implied that though the neoliberal doctor is experienced, its prescribed medicine to its Third World patient is malapropos. To begin with, neither economic stability nor growth is possible without sufficient control of international financial activities in the Third World. A strong state is needed with sufficient intervention powers to simultaneously encourage trade and foreign direct investment, and maintain a sense of sovereignty and stabilization for states. As Onis and Aysan have noted, mere macro-economic stability, defined as "fiscal equilibrium, low inflation and high domestic savings ratios—is not sufficient for avoiding financial turmoil". In recent times, both Malaysia and Chile, for example, have been able to avoid severe financial blows via the restriction of short-term capital flows.³²

Furthermore, for the neoliberal market-oriented world of today, the concepts of 'sustainability and economic growth' are as 'cake and consumption'. The Bank and other institutions, such as the U.N. Development Program, have given plenty of lip service to sustainability. However, sustainability and economic growth (at least as growth as measured by Bank economists today) are non-coterminous phenomena. There is a negative relationship between economic indicators (as in investment, production, consumption and trade) vs. environmental indicators (species regeneration, habitat protection, air, water and soil contamination). In addition, the more the economy grows, the more pressure it puts on mankind's fragile ecosystem. From 1950 to 1997, for example,—a period of supposed economic 'progress' worldwide—the use of lumber tripled, that of paper increased by sixfold, grain consumption rose by three times, fossil fuel burning quadrupled, and air and water pollutants expanded sevenfold.³³ Furthermore, despite economic growth, diseases such as AIDS, malaria and tuberculosis are on the rise. There are now more than 25 million people diagnosed with the AIDS virus in Africa alone, where 2.4 million people died of the disease in 2000.³⁴ Theoretically (and practically) speaking, the vicious spiral of growth can continue until man is dead. He may die rich, however. But, as all dead Egyptian Pharaohs will testify—were they able to—, despite having been put in the same grave as

³² Onis and Aysan (2000:134).

³³ Brown (1998).

³⁴ Friedman (2001).

their gold bracelets and other accumulated valuables, they became extinct. In short, growth is meaningless, when one is dead or dying. If both man and earth are dying, why hasten the process via increased consumption and contamination? Where is the logic of Bank-endorsed prescriptions of economic growth at a time of global ecological crisis? It is important to mention here, that dependencia does not address this issue either.

All is not lost, however. One way for the Third World to avoid much of the problems already encountered by the West—such as pollution, deforestation and other disasters—is to leapfrog from a pre-industrial society to a post-industrial one. This policy would entail investments not in large dams, polluting power plants, and highways, but in small-scale community projects, renewable energy, public transportation, and inter alia, electronic communication. The post-industrial economy involves such policies as "industrial ecology", where one entity's waste becomes another's fuel. This is already practiced being practiced in Denmark with significant savings to the economy.³⁵ Furthermore, if consumption is the Bank's norm, and if there is no such thing as a free lunch under capitalism, then those who consume should pay the rightful cost of the goods consumed. An important financial and accounting concept in need of adoption by the Bank and governments worldwide is that market prices should reflect the real social costs of all and any environmental abomination, as in clear-cutting of forests or air pollution.³⁶

"Bricolage" is a term used by the anthropologist Claude Levi-Strauss, which implies "the drawing together of diverse traditions and ideas into a new reality". Furthermore, Amartya Sen, the India-born 1999 Noble prize recipient for economics, refers to the "middle path" when addressing development theory.³⁷ In essence, the Third World and the Bank should practice and promote economic bricolage and the middle path to prosperity. Instead of mere imitation of neoliberal models of market liberalization and economic growth, the Third World should, via the practice of bricolage, use any positive policy that the Bank has to offer and blend it with its own heritage. The West and the Bank, likewise, could learn from the Third World. What can the West learn from the Third World? An example would be that of energy efficient housing still being built in India and Iran, homes where during the intensity of the 100-degree summer heat, require no air conditioning. No

³⁵ Brown and Mitchell (1998).

³⁶ Hertsgaard (2000).

³⁷ Kapur (1999).

doubt, the eighth economic entity in the world, the state of California, now heavily short of energy, could use such advice.

Conclusions

*“We are suffering from a metaphysical disease, and the cure must therefore be metaphysical. Education which fails to clarify our central convictions is mere training or indulgence. For it is our central convictions that are in disorder, and, as long as the present anti-metaphysical temper persists, the disorder will grow worse. Education, far from ranking as man's greatest resource, will then be an agent of destruction, in accordance with the principle corruptio optimi pessima”*³⁸—Ernst F. Schumacher

The above excerpt from Schumacher's Small is Beautiful is worthy of contemplation in a post-dependencia world dominated by neoliberal economic policies. It is a constructivist argument, in that it advocates a systemic or paradigmatic shift. Schumacher was right. Material solutions to material problems will only perpetuate the predicament. The 'metaphysical' or ideational solutions that he refers to should be pondered upon by both the Third World, the West, the World Bank and IMF. Definitions of prosperity and growth—even as defined by dependentistas—are in need of modification via, inter alia, the inclusion of non-economic factors. Life-styles of both the West and the Third World are also in need of change. In addition, far important, the approach to development, lies not on mere economic policy and political ideology, but on the orientation of the actors. With an accelerating age of globalization, states can no longer assume Westphalian sovereignty. Problems of the West are now also problems of the Third World. Fallout from nuclear disasters know no borders. Likewise AIDS, mad cow disease, and global warming are not geographically confinable. Ideologies can be meaningless. Political culture is more important than the type of ideology states claim to follow.³⁹ According to Wallerstein, the contradiction of the 20th century was the coterminous realities of U.S. hegemony and the resurgence of the "non-Western world". He sees the next 50 years as a time of historical choice, the outcome of which is by all means not certain, and will depend on mankind's "moral and political struggle".⁴⁰ In short: We're all in the same boat'. Yet, the reaction to the predicaments of underdevelopment and ecological and economic disasters of development is what we make of it. The boat can remain the 'Titanic' (life taking) or be transformed into 'Noah's Ark' (life saving). The choice is ours.

³⁸ Schumacher ([1966] 1999:79).

³⁹ Appel (2000).

⁴⁰ Wallerstein (2000).

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