Dependency and Development in Latin America

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Preface to the
English Edition

We wrote this book in Santiago, Chile, between 1965 and the first months of 1967. At that time, we worked at the Latin American Institute for Economic and Social Planning, a United Nations organization which originated from the Economic Commission for Latin America (ECLA). Our purpose was to show specifically how social, political, and economic development are related in Latin America.

Several studies on dependency by Latin Americans have affected the academic community and even broader audiences. There are numerous discussions in the United States on the contributions and weaknesses of what has been called "dependency theory." In Europe also, with perhaps less enthusiasm, these studies were subject to debate. African economists, influenced by Marxist analysis, and to some extent by Latin American thought on dependency, have also proposed models for the interpretation of African and Asian development. Reviewing the large bibliography on this subject ten years after the draft version of this essay, it seems timely to
clarify how we perceive dependency as a practical and theoretical problem. We give special consideration in this preface to the methodology used in our book.

Outside Latin America, the academic community in the United States elaborated scientific explanatory models of the different socio-cultural dimensions of society. Examples can be found in the structural-functionalism paradigms proposed by Merton or Parsons, in theories of political behavior (as in Easton’s systemic analysis and in Laswell’s efforts to characterize dimensions of power and influence), and even in several theories of modernization and political development. The influence of these explanatory models started to increase in Latin America in the fifties and achieved “scientific respectability” in the sixties. These paradigms inspired several theories on Latin American development processes.

At the same time, economists at ECLA1 were proposing a critical view of development. They criticized conservative economists who believed that the present division of labor in the world market was inevitable because it was based on “comparative advantages”: some countries would be better endowed to produce raw materials, whereas others would have advantages in producing industrial goods. In spite of their critical nature, ECLA economic theories and critiques were not based on an analysis of social process, did not call attention to imperialist relationships among countries, and did not take into account the asymmetric relations between classes.

Consequently a counter-critique which cited the narrowness of the ECLA approach also spread through Latin America. It arose, at times implicitly, within ECLA itself, in studies dealing with the concentration of benefits from technological progress, as well as in essays on the social conditions of development by Medina Echeverría. It is also implicit in the work of intellectuals in the universities and political movements (in São Paulo, Mexico, Buenos Aires, or Caracas) who emphasized the inequalities of wealth and opportunity inherent in a development that derives from capitalist expansion and the strengthening of imperialism.

Our essay belongs to that more radically critical Latin American heritage. We attempt to reestablish the intellectual tradition based on a comprehensive social science. We seek a global and dynamic understanding of social structures instead of looking only at specific dimensions of the social process. We oppose the academic tradition which conceived of domination and socio-cultural relations as “dimensions,” analytically independent of one another, and together independent of the economy, as if each one of these dimensions corresponded to separate spheres of reality. In that sense, we stress the socio-political nature of the economic relations of production, thus following the nineteenth-century tradition of treating economy as political economy. This methodological approach, which found its highest expression in Marx, assumes that the hierarchy that exists in society is the result of established ways of organizing the production of material and spiritual life. This hierarchy also serves to assure the unequal appropriation of nature and of the results of human work by social classes and groups. So we attempt to analyze domination in its connection with economic expansion.

There is a difference of a methodological nature between the approach followed by us in this essay and the others mentioned above. We use a dialectical approach to study society, its structures and processes of change. It will be useful for the reader if we spell out some basic elements of this methodological approach.

Dialectics and the Analysis of Structures and Processes

A basic assumption is that the analysis of social life is fruitful only if it starts from the presupposition that there are

1. Economic Commission for Latin America (ECLA), or CEPAL, as it is known in the Latin American countries, is a United Nations organization. ECLA’s economic staff proposed a paradigm for the analysis of development, which became the most influential theory in Latin American social sciences since the early fifties.
relatively stable global structures. However, these structures can be conceived and analyzed in different ways.

For us it is necessary to recognize from the beginning that social structures are the product of man’s collective behavior. Therefore, although enduring, social structures can be, and in fact are, continuously transformed by social movements. Consequently, our approach is both structural and historical: it emphasizes not just the structural conditioning of social life, but also the historical transformation of structures by conflict, social movements, and class struggles. Thus our methodology is historical-structural.

This point deserves further attention. The emphasis on the structural aspect can convey the impression that situations of dependency are stable and permanent. This impression, left by faulty analyses, can also suggest that situations of dependency are continuously and necessarily generating more underdevelopment and dependency.

Our approach of course assumes and demonstrates that in the kind of societies for which this mode of analysis is useful, structures are based neither on egalitarian relationships nor on collaborative patterns of social organization. On the contrary, they are founded on social asymmetries and on exploitative types of social organization. Furthermore, it is assumed that an understanding of the strong inequalities characterizing these social structures, as well as an explanation of the exploitative processes through which these structures are maintained, require the analysis of the system of production and the institutions of appropriation, that is, the socio-economic base of society. Finally, in the approach here proposed a central role is assigned to the analysis of the mechanisms and processes of domination through which existing structures are maintained.

But to use this approach to point out only the self-perpetuating structural mechanisms implies neglect of the contradictory results of the very process of development as well as the possibilities of negation of the existing order also inherent in social processes. It is therefore useful to remember that forms of dependency can change and to identify the structural possibilities for change, pinpointing the alternatives to dependency existing at any given historical moment.

In other words, our approach should bring to the forefront both aspects of social structures: the mechanisms of self-perpetuation and the possibilities for change. Social structures impose limits on social processes and reiterate established forms of behavior. However, they also generate contradictions and social tensions, opening the possibilities for social movements and ideologies of change. The analyses have to make explicit not only structural constraints that reinforce the reiterative aspects of the reproduction of society, but have also to delineate chances for change, rooted in the very social interest and ideologies created by the development of a given structure. In this process, subordinated social groups and classes, as well as dominated countries, try to counterattack dominant interests that sustain structures of domination.

It is not irrelevant in these attempts to pay attention to ideologies and to intellectual capacity to assess possibilities for change. In decisive historical moments, political capacity (which includes organization, will, and ideologies) is necessary to enforce or to change a structural situation. Intellectual evaluation of a given situation and ideas about what is to be done are crucial in politics. The latter is immersed in the shady area between social interests and human creativity. At that level, gambles more than certainty line the paths through which social forces try to maintain or to change structures. Briefly, in spite of structural "determination," there is room for alternatives in history. Their actualization will depend not just on basic contradictions between interests, but also on the perception of new ways of turning a historical corner through "a passion for the possible."2

One final comment about general implications of the methodology used in this book with respect to problems of measurement would be useful. The question is not whether

to measure. The question is rather what and how to measure, and also concerns the methodological status of measuring. Characterizing dependency is like characterizing "capitalism," "slavery," or "colonialism." It would make no sense to compare slavery in the southern United States with slavery in the Antilles or in Brazil only in order to assess "degrees of slavery" varying from minus to plus. It would make more sense to compare the slave economy with wage sectors, or slavery in the plantation system with slavery in domestic households, or to investigate the limits imposed by slavery on capitalistic expansion in the United States, Brazil, or the Antilles.

Similarly, there would be little sense in attempting to measure "degrees of dependency," making formal comparisons of dependent situations. Some efforts in that direction have resulted in the isolation of "power dimensions" involved in dependency situations from its "economic aspects." In such a procedure, the very basic characteristic of dependency studies—the emphasis on global analysis—disappears. On the other hand, very often in studies that have been done, each one of the selected dimensions of dependency is conceived in a rather static way to adjust realities to methodological requirements of the "logic of scientific investigation." For instance: when foreign capitals start to promote industrial development in dependent economies some deepening of internal markets occurs and some forms of income redistribution benefit upper levels of middle sectors. In previous forms of dependency—without local industrialization based on multinational enterprises—such a "redistributive process" was not present. In spite of these differences and in spite of the complexity of emergent situations of dependency, some studies in which "dependency theories" were tested assumed that all forms of dependency had common features. The rationale behind such methodology is based on the possible common effect of a general (thus for us "abstract") form of dependency that permeates all types of situations. In a dialectical approach such a vague statement is not acceptable. The basic methodological steps in dialectical analyses require an effort to specify each new situation in the search for differences and diversity, and to relate them to the old forms of dependency, stressing, when necessary, even its contradictory aspects and effects.

Thus, before measuring, previous elaboration of adequate theories and categories is required to give sense to data. Certainly, evidence confirming or rejecting particular analysis oriented by a dependency approach has to be taken into account if it has been established on adequate theoretical grounds. But data have to be interpreted in the historical-structural context.

Finally, the methodological status of measurement in a dialectical approach does not play the role of a fundamental device in the logic of demonstration, as if we were dealing with hypotheses to be accepted or rejected only after statistical tests. Of course, in rendering dialectical analysis less abstract (thus less general) and more concrete (thus relating specific sets of relations one to the others) statistical information and demonstrations are useful and necessary. But the crucial questions for demonstration are of a different nature. First of all, it is necessary to propose concepts able to explain trends of change. This implies the recognition of opposing forces which drag history ahead. Second, it is necessary to relate these forces in a global way, characterizing the basic sources of their existence, continuity, and change, by determining forms of domination and forces opposed to them. So, without the concept of capital as the result of exploitation of one class by another it is not possible to explain the movement of capitalist society. Without assuming (and analyzing) forms of dependency, when the studies refer to peripheral countries, it is not possible to render analyses more concrete. It is through the elaboration of key concepts of that type that dialectical analyses explain historical movement in its "totality." That is to say: history becomes understandable when interpretations propose categories strong enough to render clear the fundamental relations that sustain and those that oppose a given structural situation in its globality.
The accuracy of a historical-structural interpretation has to be checked by confronting its delineation of structural conditions and trends of change with actual socio-political process. Both in the construction of interpretation and in its practical validation, realities are at stake: data are not incorporated into the analysis as if they were statically given; the important thing is how they change as social process develops. Significant data are those that illuminate trends of change and emerging processes in history in unanticipated ways. Their "verification" depends on the capacity of social movements to implement what are perceived as structural possibilities. This process depends, on the other hand, on real social and political struggle. So the "demonstration" of an interpretation follows real historical process very closely and depends to some extent on its own ability to show socio-political actors the possible solutions to contradictory situations.

**Structural Dependency**

For our historical-structural analysis the crucial methodological question was to delineate moments of significant structural change in countries characterized by different situations of dependency in Latin America rather than criticizing on theoretical grounds either the structural approach to socio-economic development proposed by ECLA or the structural functionalist models prevailing in sociological analyses, or blaming vulgar Marxism or the theory of political modernization.

In mechanistic conceptions of history, Latin American economies are perceived as having always been determined by the "capitalist system," as it has developed on a global scale. Fundamental periods of change at the international level, it is contended, marked the significant moments of transformation of Latin American economies. In these interpretations, general characteristics of capitalism replace concrete analyses of specific characteristics of dependent societies. "Mercantilism," "free enterprise and free competition," "monopoly capitalism" are, in general, molds from which historical landmarks of peripheral countries are drawn. Obviously, Latin American societies have been built as a consequence of the expansion of European and American capitalism. Although less obvious, there also are features of capitalism common to developed and dependent countries. However, by excluding from the explanatory model social struggles and the particular relations (economic, social, and political) that give momentum to specific dominated societies, these kinds of interpretation oversimplify history and lead to error: they do not offer accurate characterizations of social structures, nor do they grasp the dynamic aspect of history actualized by social struggles in dependent societies.

If the interpretation only recognizes that mercantilism was an important element in the expansion of commercial capitalism and deduces from this that Latin America was capitalist, the content of what happened historically disappears into the vagueness of this abstract statement. The important task is to explain how the mercantilist economic drive led to the creation in several parts of Latin America of slave "capitalist" economies, in other parts to the exploitation of indigenous populations, and in some regions, as in southern parts of the continent, to an economy based on wage earners. In every one of those situations, capitalism, in its mercantilist form, was behind the local economies. They were never "feudal" societies. But this is not sufficient to explain the concrete differences between, let us say, Brazilian slave plantations and the Argentinian economy in the nineteenth century. Both were "capitalistic" economies, but they were organized around different relations of production: slavery in one case and relations that developed into almost capitalistic forms of production in the other.

In this book, we do not pretend to derive mechanically significant phases of dependent societies only from the "logic of capitalistic accumulation." We do not see dependency and imperialism as external and internal sides of a single coin, with the internal aspects reduced to the condition of "epi-phenomenal." Conceived in this manner, imperialism turns
into an active and metaphysical principle which traces out the paths of history on the sensitive but passive skin of dependent countries. Forms of local societies, reactions against imperialism, the political dynamic of local societies, and attempts at alternatives are not taken into consideration. This type of analysis, although it uses Marxist vocabulary, is methodologically symmetrical to interpretations based on the “logic of industrialism,” or on the “stages of modernization,” or even on the phases of “political development,” which foresee change as a result of mechanical factors.

We conceive the relationship between external and internal forces as forming a complex whole whose structural links are not based on mere external forms of exploitation and coercion, but are rooted in coincidences of interests between local dominant classes and international ones, and, on the other side, are challenged by local dominated groups and classes. In some circumstances, the networks of coincident or reconciled interests might expand to include segments of the middle class, if not even of alienated parts of working classes. In other circumstances, segments of dominant classes might seek internal alliance with middle classes, working classes, and even peasants, aiming to protect themselves from foreign penetration that contradicts their interests. External domination in situations of national dependency (opposed to purely colonial situations where the oppression by external agents is more direct) implies the possibility of the “internalization of external interests.”

Of course, imperialist penetration is a result of external social forces (multinational enterprises, foreign technology, international financial systems, embassies, foreign states and armies, etc.). What we affirm simply means that the system of domination reappears as an “internal” force, through the social practices of local groups and classes which try to enforce foreign interests, not precisely because they are foreign, but because they may coincide with values and interests that these groups pretend are their own.

Our analyses of concrete situations require us to find out what forms of social and economic exploitation there are, to what degree industrialization and capital accumulation in the periphery has advanced, how local economies relate to the international market, and so forth; and this as the result not only of an abstract “logic of capital accumulation” but also of particular relationships and struggles between social classes and groups at the international as well as at the local level. It is true that local socio-political process, as well as local economic organization, insofar as we are dealing with dependent societies, supposes and reproduces the general features of capitalism as it exists on a global scale. Hence, capital concentration by multinational companies and the monopoly of technological progress in the hands of enterprises located in the center of the international system are obligatory points of reference for the analysis.

The very existence of an economic “periphery” cannot be understood without reference to the economic drive of advanced capitalist economies, which were responsible for the formation of a capitalist periphery and for the integration of traditional noncapitalist economies into the world market. Yet, the expansion of capitalism in Bolivia and Venezuela, in Mexico or Peru, in Brazil and Argentina, in spite of having been submitted to the same global dynamic of international capitalism, did not have the same history or consequences. The differences are rooted not only in the diversity of natural resources, nor just in the different periods in which these economies have been incorporated into the international system (although these factors have played some role). Their explanation must also lie in the different moments at which sectors of local classes allied or clashed with foreign interests, organized different forms of state, sustained distinct ideologies, or tried to implement various policies or defined alternative strategies to cope with imperialist challenges in diverse moments of history.

Interpretations in this book attempt to characterize, in a general manner, the history of that diversity. Of course, there are common factors in capitalism which affect all economies under consideration and which constitute the starting point of the analysis. But it is the diversity within unity that
explains historical process. If the analytical effort succeeds, general platitudes and reaffirmations about the role of capitalist modes of production can turn into a lively knowledge of real processes. It is necessary to elaborate concepts and explanations able to show how general trends of capitalist expansion turn into concrete relations among men, classes, and states in the periphery. This is the methodological movement constituting what is called the passage from an "abstract" style of analysis into a "concrete" form of historical knowledge. In that sense, the history of capital accumulation is the history of class struggles, of political movements, of the affirmation of ideologies, and of the establishment of forms of domination and reactions against them.

So, the analysis of structural dependency aims to explain the interrelationships of classes and nation-states at the level of the international scene as well as at the level internal to each country. Dialectical analysis of that complex process includes formulation of concepts linked to the effort to explain how internal and external processes of political domination relate one to the other. It cannot be conceived as if considerations of external factors or foreign domination were enough to explain the dynamic of societies. The real question lies in the interrelationships at both levels. Emphasis has to be laid not only on compatibilities but also on contradictions between these two levels.

Basic Situations of Dependency

We describe two dependency situations that prevailed prior to the present system of international capitalism based on the dynamism of multinational corporations: dependency where the productive system was nationally controlled, and dependency in enclave situations. The important question in comparing these situations is not just whether power is exercised by local entrepreneurs or by "enclave" types of foreign companies, nor just what forms of accumulation and circuits of capital realization there are. The real question is what the relationship between these two dimensions is, and what their interaction is with capital accumulation on a global scale.

In enclave economics, foreign invested capital originates in the exterior, is incorporated into local productive processes, and transforms parts of itself into wages and taxes. Its value is increased by the exploitation of local labor forces, which transform nature and produce goods that realize again the life of this capital when staples (oil, copper, bananas, etc.) are sold in the external market.\footnote{In the case of enclave economies, one must distinguish between situations in which foreign enterprises assume control of enterprises that have been created and expanded by local entrepreneurs (e.g., copper mining in Chile) and situations that were originated by foreign investment. These two forms provoke distinct consequences with respect to the formation, role, and political influence of social classes.}

In economies controlled by local bourgeoisie, the circuit of capital is formally just the opposite. Accumulation is the result of the appropriation of natural resources by local entrepreneurs and the exploitation of the labor force by this same local group. The starting point for capital accumulation is thus internal. The process of capital valorization also takes place in the local productive process, but insofar as merchandise consists of staples and food products, the international market is required to realize the final steps of the capital circuit.

The case of contemporary dependent industrializing economies\footnote{This last process, being recent, could not be analyzed by classical studies on capitalism. It was foreseen in the case of Czarist Russia by some authors. But Russian development evolved in an entirely different international economic context.} controlled by multinational corporations gives the impression of a return to the enclave type of economy. However, although initial accumulation often results from external investment (though not necessarily, because multinational corporations do often use local funds to invest), there is an important difference vis-à-vis enclave economies: a substantial part of industrial production is sold in the internal market. A foreign-owned car plant settled in Mexico City or in São Paulo, Brazil, sells most of its production in local
markets. Up to now, exports toward center economies have played a minimal role in the economic strategies of multinational industrial corporations settled in the periphery—rarely surpassing 3 percent of total production.

So, the forms adopted by dependency may vary considerably. This variation in form is expressed in the socio-political context through the size and type of the working class as well as of the bourgeoisie, the size and type of "middle class," the weight of bureaucracies, the role of the armies, forms of state, the ideologies underlying social movements, and so forth. This book tries to analyze these movements, and dialectical methods, as we have said, demand an attempt at concreteness with regard to the abstract forms of "capital expansion." So we must analyze the diversity of classes, fractions of classes, groups, organizations, and political and ideological movements which form, in a lively and dynamic way, the history of capitalist expansion in Latin America. In fact, it is through socio-political structures sustained and moved by social classes and groups with opposed interests that capital, as an economic "form" (with its "logic of expansion") is realized in history. Historical-structural analysis illuminates the basic trends through which capital expansion occurs and finds its limits as a socio-political process. In that sense, the understanding of capitalist development requires the analyses of social classes and political context that allow or prevent the actualization of different forms and phases of capital accumulation.

Theory of Dependency and Capitalistic Development

From the economic point of view a system is dependent when the accumulation and expansion of capital cannot find its essential dynamic component inside the system. In capitalistic economies the crucial component for the drive to expand is the capacity to enlarge the scale of capital. This cannot be done without the creation of new technologies and continuous expansion of the production of "capital goods," that is, machinery and equipment, to permit the continuing growth of enterprise expansion and capital accumulation. Furthermore, the expansion of a capitalistic economy requires financial support through a solid banking system. Of course, not all capitalist economies have these capabilities. Some of them have to find on a world scale the necessary complementarity to continue their march toward economic growth.

Almost all contemporary national economic systems are articulated in the international system. Superficial or apologetic analysts, in order to minimize exploitative aspects of the international economy, have merely assumed that "modern" economies are "interdependent." By stating this platitude, they often forget that the important question is what forms that "interdependency" takes. While some national economies need raw material produced by unskilled labor, or industrial goods produced by cheap labor, others need to import equipment and capital goods in general. While some economies become indebted to the financial capital cities of the world, others are creditors. Of course, bankers need clients, as much as clients need bankers. But the "interrelationship" between the two is qualitatively distinct because of the position held by each partner in the structure of the relationship. The same is true for the analysis of "interdependent" economies in world markets.

Capitalism is a world system. But some of its parts have more than their share of leadership and an almost exclusive possession of sectors crucial to production and capital accumulation, such as the technological or financial sectors. They require complementarity from dependent economies, but the crucial elements for the capital expansion on a cumulative and amplified scale are at their disposal.

Peripheral economies, even when they are no longer restricted to the production of raw material, remain dependent in a very specific form: their capital-goods production sectors are not strong enough to ensure continuous advance of the system, in financial as well as in technological and organizational terms. So, in order to go ahead with economic expansion, a dependent country has to play the "interde-
pendency” game, but in a position similar to the client who approaches a banker. Of course, clients usually develop strategies of independence and can try to use the borrowed money in productive ways. But insofar as there are structural border lines, successful attempts are not an automatic output of the game. More often, rules of domination are enforced, and even if the dependent country becomes less poor after the first loan, a second one follows. In most cases, when such an economy flourishes, its roots have been planted by those who hold the lending notes.

Characterization of contemporary forms of dependent development could be perhaps the most significant contribution by “dependentistas” to the theory of capitalistic societies. If there is any novelty in this essay, it consists, together with the characterization of past forms of dependency, in the attempt to delineate what has been called “the new dependency.” By means of this analysis it was foreseen how a general trend (industrial capitalism) creates concrete situations of dependency with features distinct from those of advanced capitalist societies. So, peripheral industrialization is based on products which in the center are mass consumed, but which are typically luxurious consumption in dependent societies. Industrialization in dependent economies enhances income concentration as it increases sharp differences in productivity without generalizing this trend to the whole of the economy: whereas the production of cars, televisions, refrigerators, and like types of goods is based on modern technology, important parts of food products, textiles, and other goods that constitute the basic consumption for the masses are still based on more traditional technology and relations of production. The wages of technicians, managers, and specialized workers, although not directly determined by productivity, are incomparably higher than those earned by peasants or workers employed in traditional sectors. Thus, industrialization in the periphery increases disparity of income among wage earners accentuating what has been called in Latin America the “structural heterogeneity.”

These considerations stress that dependent capitalistic economies are not identical to central capitalistic economies. In spite of that, we do not subscribe to the attempts that have been made to propose a “theory of dependent capitalism.” Of course, analyses of situations of dependency imply theories and require the use of methodologies. But—even by definition—it seems senseless to search for “laws of movement” specific to situations that are dependent, that is, that have their main features determined by the phases and trend of expansion of capitalism on a world scale. Attempts have to be made to enlarge and to give more specificity to the laws that have been developed and are being brought up to date by authors interested in the analysis of a general economic theory of capitalism. Our contribution, if there is one, goes in that direction without any pretentious aim to propose new theories that depart from the classical ones. To avoid misinterpretations, we refer to “situations of dependency” rather than to the “category” or to the “theory” of dependency.

A real process of dependent development does exist in some Latin American countries. By development, in this context, we mean “capitalist development.” This form of development, in the periphery as well as in the center, produces as it evolves, in a cyclical way, wealth and poverty, accumulation and shortage of capital, employment for some and unemployment for others. So, we do not mean by the notion of “development” the achievement of a more egalitarian or more just society. These are not consequences expected from capitalist development, especially in peripheral economies.

By pointing to the existence of a process of capitalistic expansion in the periphery, we make a double criticism. We criticize those who expect permanent stagnation in underdeveloped dependent countries because of a constant decline in the rate of profit or the “narrowness of internal markets,” which supposedly function as an unsurpassable obstacle to capitalistic advancement. But we also criticize those who expect capitalistic development of peripheral economies to solve
problems such as distribution of property, full employment, better income distribution, and better living conditions for people. Even in developed economies these problems remain unsolved, as Puerto Ricans, blacks, and poor whites testify in America. It would be unrealistic (if not apologetic) to believe that the existence of an actual process of capitalistic development in the peripheral economies will suppress social problems and conflicts around them. Development, in this context, means the progress of productive forces, mainly through the import of technology, capital accumulation, penetration of local economies by foreign enterprises, increasing numbers of wage-earning groups, and intensification of social division labor. It is realistic to expect either a shifting of the arena in which struggles are present or the unfolding of issues around which conflicts will be at stake. It is not realistic to imagine that capitalist development will solve basic problems for the majority of the population. In the end, what has to be discussed as an alternative is not the consolidation of the state and the fulfillment of "autonomous capitalism," but how to supercede them. The important question, then, is how to construct paths toward socialism.

We have limited our analyses to forms of dependency within capitalistic societies and, furthermore, to situations in which a nation-state has been formed. Although there are forms of dependent relationships between socialist countries, the structural context that permits an understanding of these is quite different from that within capitalist countries and requires specific analyses. The same is also true for economies like the Indian economy—and, to a lesser extent, that of Japan—which have historical patterns of formation that cannot be explained by the unfolding of European or American capitalistic economic expansion, although they also became linked, later on, to the international market.

We have not intended to discuss colonial types of contemporary situations of dependency in Latin America, such as, in the purest example, Puerto Rico. Considerable intelle-
At the end of World War II, some Latin American countries seemed about to form their industrial sectors and to begin economic changes that would lead to self-sustained growth. Production and markets had been reorganized in the wake of the 1929 depression, and some Latin American economies had accumulated large amounts of foreign exchange, with no corresponding possibility of importing merchandise, because American and European economies were devoted to the war effort. They seemed to be on the verge of closing the cycle known as "import substitution."  

1. Concerning the need for industrialization to supplement growth of the export sector of the economy, see Raji Prebish, "El
and of beginning the stage of production of capital goods designed to diversify output. In these countries the domestic market appeared to be large enough to stimulate economic activity. It was assumed that the transfer of labor from sectors of low productivity—mainly in rural areas—into sectors of high productivity would broaden the market. Later, about 1955, a new element, income redistribution, was considered necessary by political economists to broaden the market and to attain development. With all these factors acting together it seemed certain that growth would be automatically generated by market forces.

Such a possibility, solidly supported by the postwar economic situation, was formulated as a theory in the most important studies on economic development written in Latin America. Previously, industrialization was viewed as just a supplementary resource for development based on the export of primary products. Until World War II, industrialization was accepted as a forced alternative during periods of world depression, but not as the key factor in development. During the fifties there occurred a drastic change in these views. Industrialization began to be looked on as a new phase in economic growth, which would follow export expansion and thus complete the cycle of development based on the export of primary products and also initiate self-sustained growth. Such growth was to be based on the stimulus of the domestic market and on the diversification of industrial output, which would lead to the creation of a domestic industry of capital goods.

Latin America would continue to be linked to the world market, to ensure buyers for its export products as well as to obtain foreign investment. Nevertheless, the expansion of the domestic market would assure continuing development.

"Export industries" would still be needed to maintain "import capacity," but basically development would be determined by the domestic and not the foreign market.

There is no question but that at the beginning of the 1950s some of the conditions for this new phase in economic development in Latin America had been met, at least in countries like Argentina, Mexico, Chile, Colombia, and Brazil. Among these conditions were (1) a sufficiently large domestic market, created in the preceding century by the expansion of agricultural and mining economies whose products were exported to the world market but nevertheless required local investment and created some prosperity; (2) an industrial base that had evolved over the previous eighty years and which included light consumer-goods industries (foodstuffs, textiles, etc.) and in some cases the production of goods related to the export economy; (3) abundant foreign exchange derived from agricultural and mining output; (4) strong incentives to economic growth, especially in countries like Brazil and Colombia, thanks to the strengthening of the external sector during the second half of the 1950s; and (5) the existence of a satisfactory rate of domestic capital formation in such countries as Argentina.²

From an economic standpoint, therefore, it seemed that development policy should concentrate on two goals: the absorption of technology to diversify the structure of output and to increase productivity, and definition by the state of investment policies that would create the infrastructure needed for that diversification.³ Favorable structural conditions and current prospects led to the belief, common among

2. For a discussion of the conditions for development in Argentina, see Benjamin Hopenhavn, "Estancamiento e inestabilidad: el caso argentino en la etapa de sustitución forzosa de importaciones," El Trimestre Económico (Mexico), no. 125 (January–March 1965), pp. 126–139.

3. The other alternative would have been to increase per capita income in primary production in order to offset the deterioration in the terms of trade. See Prebisch, op. cit., especially p. 6.
economists, that development depended mainly on the ability of each country to take the policy decisions that its economic situation might require.

After the 1929 depression, even Latin American countries with a "liberal" economic tradition, like Argentina, began to strengthen the instruments of public power as a means to improve and regulate the export economy. The next step was to create public institutions to promote development along the new lines and to redefine goals and procedures used by the state officials entrusted with decision-making.

Strengthening and modernizing the state seemed so necessary a means of achieving an effective and efficient development policy that Latin American economists turned to the concept of a "political economy" to emphasize the political aspect of their proposals. The Latin American situation seemed to require a type of development concentrating on the nation-state. It seemed that domestic markets should be expanded and the centers of national decision-making so organized as to be sensitive to the development problems of their own countries.

After the 1950s the optimism based on the possibility of such a type of development began to wane. It is difficult to explain why the necessary measures were not taken to ensure continued development or why the measures taken were not effective. In some cases, the rate of economic growth was not sufficient to vitalize the more backward sectors of the economy, and the economy therefore could not absorb the pressure of population increase: it is well known that the demographic rate of growth is higher in depressed areas and among poor populations; with a low rate of investment, the offering of jobs can hardly meet the growing demand for them. The type of technology adopted by the most modern sectors used little labor and thus increased what seemed to be an overt incapacity to solve occupational demand through industrialization. The creation of new industrial sectors dismantled handicraft ones, destroying more jobs than creating new ones. It is true that the very dynamism of industrialization prevented depressions, and forecasts of catastrophe based on the capital-intensive type of industrialization (instead of a labor-intensive one) did not come about.

If economic conditions of the most prosperous countries of the area were conducive to development until the middle of the 1950s, was it that institutional and social conditions did not permit these favorable economic events to express themselves in a development policy? Or was the belief that development was possible itself mistaken?

In some countries like Brazil, events in the 1950s encouraged hope for self-sustained growth. Brazil's process of import substitution resulted in a capital goods sector. This sector not only assures more dynamism than the industrialization based on consumer goods—for it requires the use of sophisticated technology and has backward and forward linkage effects—but also implies that even in crisis periods it is extremely difficult to fall back from the technological level already attained. So, the steps ahead given by industrialization appeared to herald a new and irreversible stage in Brazilian development. However, the boom that reached its peak in the process of import substitution was followed in the 1960s by a period of relative stagnation that continued to hamper the Brazilian economy during almost all of that decade.4

Of the three most industrially advanced countries, only Mexico has managed to maintain a high rate of growth for a longer period. It must be recognized that Mexico's economic structure, especially the commodity spread of its export sector, differentiates it from other countries of Latin America. However, even in the Mexican case, bad income distribution

4. See "Auge y declinación del proceso de importaciones en el Brasil," Boletín Económico de América Latina, 9 (1964): 1-62. Nevertheless, the characteristics of the Brazilian economy would indicate that from an economic standpoint this stagnation is still within a "development" situation.
and the growing participation of foreign capital in the economy make it hard to tell what conditions are necessary in general for self-sustained growth beneficial to societies.

The economic forecasts made at the end of the 1940s and their underlying theory failed to explain the subsequent course of events. Argentina did not experience either the accelerated development or the qualitative changes that had been expected. Although Brazil found a temporary solution for its economic problems in the development surge of the 1950s, supported by short-term external financing, it went into a recession just when it appeared to have finally overcome the obstacles to development. Mexico, after a difficult period of readjustment and profound transformations brought about by a nationalist policy, would seem to have realized its possibilities for expansion largely due to its integration into the world market through foreign investment and the diversification of its foreign trade, in which tourism plays an important role.

In view of the above, it is possible to generalize the question of why national economies as promising as Argentina's lacked the requisite vitality. To what extent may the very fact of the Mexican Revolution, which destroyed the balance of social forces, have been the fundamental factor in subsequent development? Could it not have been the play of Brazil's political and social forces during the "development" decade that was responsible for the initial impetus and also for the later loss of momentum in the process of development in Brazil in the early sixties?

Economic development in Latin America has frequently depended on favorable conditions for exports. It was precisely foreign trade that declined after the Korean War boom, accompanied by a steady deterioration in the terms of trade. To cope with emerging circumstances, the redefinition of the terms of international cooperation through programs of direct external financing of the public sector or a policy of price support have been suggested as supplementary requirements, but such measures were not effectively carried out.

These facts partly account for the slowdown of economic growth. The rate of increase in the gross product barely permitted reorganization of the economic system in a few countries. Neither the social nor the political system was reorganized in the hoped-for direction. This suggests that even though "traditional" society transformed its economic features, some of its old social sectors retained control of the system of power. With the decline in the growth rate after the boom of the 1950s, the old problems of the hemisphere reappeared with new social protagonists, or with the same old ones in modern dress.

Nevertheless, it is not enough to replace the "economic" interpretation of development with "sociological" analysis. What is needed is an analysis that makes possible a broader and more sophisticated answer to the general question of how development is possible in the Latin American countries.


CHAPTER TWO

Comprehensive Analysis of Development

Development is itself a social process. To the economic assumption that underdevelopment leads to development through the creation of a dynamic domestic sector capable of generating both self-sustained growth and the transfer of the “decision-making center,” some authors have added a sociological interpretation of the transition from traditional to modern societies.

Traditional and Modern Societies

It is argued that Latin American societies belong to a structural type generally called “traditional,” which is giving way to another type of society called “modern.” 1 It would appear that before becoming modern a society enters an intermediate, hybrid pattern called “structural dualism.”

1. This analytical approach stressing the passage from a traditional to a modern society is related specifically to Latin America and that this pattern is characteristic of “developing” countries. 2

This scheme is a reincarnation of the classical “community-society” dichotomy formulated by Tönnies. It is open to criticism from two points of view. On the one hand, the concepts of “traditional” and “modern” are neither broad enough to cover all existing social situations nor specific enough to distinguish the structures that define the ways of life of different societies. On the other hand, these concepts do not show how the different economic stages (for example, underdevelopment or development through exports or through import substitution, etc.) are linked to the various

[Notes]


types of social structure that are attributed to "traditional" and "modern" societies.

With this kind of characterization it continues to be impossible to explain the transition from one type of society to another. In fact, change in social structures, far from being only a cumulative process of incorporating new "variables," involves a series of relations among social groups, forces, and classes, through which some of them try to impose their domination over society.  

In purely economic terms, the degree of development of a production sector can be analyzed through a group of variables—the relation between the number of workers and capital, industrial output per added capital, and so forth—that reflect the process of structural diversification of the economy. Using this analysis as a base, the structure of society is deduced principally from the pattern of income distribution and the structure of employment. However, this strictly economic analysis can only be related to political and social development by looking beyond the social structure to its process of formation and to the social forces exerting pressure to maintain or change it.

Analyses that relate development to modern society and underdevelopment to traditional society are too simple. Development and modernization are not necessarily related just because domination in developed societies excludes "traditional groups." It may happen that a society modernizes its patterns of consumption, education, and so forth without a corresponding advance in development, if by development we understand less dependency and self-sustained growth based on the local capital accumulation and on the dynamism of the industrial sector.


Social Change: External Models, Demonstration Effect, and Specific Situations

In almost all theories of modernization it is assumed that the course taken by political, social, and economic systems of Western Europe and the United States foreshadows the future for the underdeveloped countries. The "development process" would consist in completing and even reproducing the various stages that characterized the social transformation of these countries. Therefore, the historical variations, the specificities of each situation of underdevelopment, have little value for this type of sociology.

It would be naive to assume that Latin America is in the nineteenth century while the developed countries are in the twentieth. More frequently, the underdeveloped countries are described as being "backward" in certain aspects of their structure although not in others. Thus, labor unions in countries like Brazil and Argentina became national and influenced decisions on wage levels during a phase that was abnormal by comparison with what had occurred in the countries of "early development." Accelerated urbanization in Latin America, which has come before industrialization, has helped to spread expectations and forms of political behavior that encourage greater participation of the masses in the power game before there is autonomous economic growth based on a domestic market. Such popular demands to share in the decisions affecting consumption are considered by many authors a "precocious" datum in the development process of Latin America.

It has been suggested that, because this level of participation is supposedly similar to that of the central countries,

it might serve as a kind of bridge tending to approximate the social patterns and value orientations of the underdeveloped societies to those of the developed, modernizing them, even if not assuring similar levels of economic growth. This, broadly speaking, is what has come to be called the "demonstration effect": the modernization of consumption patterns, implying some degree of income improvement for urban population.

In an economic analysis, the "demonstration effect" assumes that the economy will be modernized through consumption and that ultimately modernization alters the production system in such a way that it may deviate from the "stages" of industrialization characteristic of advanced countries. But since investments depend to a large extent on domestic savings, the modernizing pressure of consumption can act also as a brake on development: it may stimulate the importation of consumer goods orienting the utilization of savings to the payment of external producers, as well as induce investment in sectors that are not basic to the economy.

On the other hand, the "demonstration effect" has not been thought of only in economic terms. Presumably, the pressures to modernize consumption are also pressures to change other aspects of human behavior—in the political and social areas—before diversification of the production system is completed. It should be stressed that the "demonstration effect" took place, at least until the sixties in the case of Latin America, because there was a minimum participation of the people in the political process. Sociological analysis should explain this measure of modernization to avoid simplistic interpretations that take "demonstration effect" by itself as "causal" explanation of the developing process. This kind of approach amounts to saying that the dynamism of underdeveloped societies derives from external factors and that the structural particularities in underdeveloped countries produce forms of development that are deviant cases when compared with classic stages of growth.

Rather than stressing the consequences of the "demonstration effect" or of other exogenous variables as a "modernizing factor" in the functioning of the economic system or in the behavior of social groups, it is important to study the historical-structural contexts in which such a process is generated since they reveal the very meaning of such modernization. We have therefore emphasized the specifics of the Latin American situation as principal conditioning factors in the development process. In this approach, the "demonstration effect" is incorporated into the analysis as a subordinate explanatory element. It is more basic for us to describe the relations among social groups at the national level, which of course also depend on linkages between the economic system and the international political blocs.

Structure and Process: Reciprocal Determination

To analyze development properly, we must consider in their totality the "historic specificities," both economic and social, underlying the development processes at the national and international levels. Within given structural situations, we must understand the conflict between social movements that "are set in motion" by social classes in developing societies. Our approach must examine not only structural conditions and the ideologies of the social movements, but also their relations and their reciprocal determination.

How can we link the economic and social components of development in an analysis of the behavior of social groups? First of all, every economic link is, by itself, a social link. Capitalit itself is the economic expression of a social relation; it requires the existence of a set of persons working by wage—selling its labor force—and another group owning machines and money to buy raw material and to pay wages and salaries. On the other hand, such an "economic" relation supposes not only exploitation—and thus social mechanisms to assure domination—but some degree of stability and recurrence in the relations of exploitation. Then this form of relation has
a structure. Nevertheless, if structures already built appear as a mechanism that promotes the “natural” reinforcement of a given social order, they have in fact been built as a result of social struggles and are, in that sense, a historical product. Consequently, economic relations and the social structures on which they are based have to be studied as a process through which different classes try to sustain, preserve, or change interests rooted in social structures. Development results therefore from the interaction and struggles of social groups and classes that have specific ways of relating to each other. The social and political structure is modified insofar as new social classes and groups succeed in imposing their interests on or accommodating them to previous dominant classes in society.

Social change depends on historical alternatives. In the tensions between groups with divergent interests and directions, it finds the filter through which the purely economic influences have to pass.3

Our basic theoretical problem is how to determine what forms the structures of domination will adopt, because through these structures the dynamics of class relations may be understood. Political institutions at a given moment can only be fully understood in terms of the structures of domination because these express the class interests behind political organization. These structures also make it possible to follow the process of change at the political-institutional level. Significant historical changes in the process of Latin American development have always been accompanied, if not by a radical alteration of the structure of domination, at least by the adoption of new forms of relations and, consequently, of conflict between classes and groups. In that sense, the oligarchical period characteristic of the export economy drive was replaced, for instance, by the “populist” period of soaring industrialization oriented toward internal markets. In the case of economically dependent countries, the explanation of structures of domination involves establishing the links that may exist between internal and external determinants. These links should not be understood in terms of a mechanical and immediate determination of the internal by the external: it is important to delineate the interconnections between these two levels, suggesting the ways through which external factors are interwoven with internal ones.

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

Because the purpose of this essay is to explain the economic processes as social processes, it is necessary to find a theoretical point of intersection where economic power is pressed as domination, that is to say, as politics. An economic class or group tries to establish through the political process a system of social relations that permits it to impose on the entire society a social form of production akin to its own interests; or at least it tries to establish alliances or to control the other groups or classes in order to develop an economic order consistent with its interests and objectives. The modes of economic relations, in turn, set the limits of political action.

Thus the topics to be dealt with are the economic factors conditioning the world market; the structure of the national production system and the kind of linkage it has developed with the external market; the historical-structural shape of such societies, with their ways of assigning and maintaining power; and above all, the political-social movements and

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3. For an analysis of this point of view, see F. H. Cardoso, Empresário industrial e desenvolvimento econômico no Brasil (São Paulo: Difusão Europeia do Livro, 1964), chapters 1 and 2.
processes that exert pressure toward change, and their respective orientations and objectives. Direct analysis of the main socio-political processes in underdeveloped or developing societies is an immense and limitless task. Nevertheless, there are certain topics that, although of a particular character, throw light on the overall situation. In particular, it is illuminating to look for the points where the economic system intersects with the social system, which will indicate the links and dynamics that affect the possibility of development.

By and large, the problems of social control of production and consumption are the axis of a sociological analysis of development viewed from this perspective. The sociological interpretation of economic change requires analysis of tensions between social groups which reveal what supports the economic and political structure. Although it is now fashionable to analyze “decision-making mechanisms” from this angle, no sociological view of the problem of development can be reduced to this approach, because it misses the point that is crucial for us: social forces and structural determinants behind political processes. Development always alters the social system of domination as it changes the organization of production and consumption. It cannot be reduced to changes at the institutional level or to the analysis of actors’ value orientations. This view of the problem encourages us to analyze the political behavior of social classes that maintain control at the structural level and those that oppose such control. Moreover, it moves us to consider the value orientations that give the action its framework of reference, not at the individual level, but at the cultural one, as ideologies.

Underdevelopment, Periphery, and Dependence

The historical specificity of the situation of underdevelopment derives from the relation between “peripheral” and “central” societies. Underdeveloped countries must be distinguished from those without development: the latter are economies and peoples—fast disappearing—that do not have market relations with the industrialized countries. As for underdevelopment, in some situations the linkage between the peripheral economies and the world market can be described as “colonial,” whereas in others the peripheral economies belong to “national societies.” In the latter case some peripheral countries already had a national society when they formed links with the more developed dominant centers, while others were colonies that became nations but without any change in their situation of underdevelopment.

In any event, the situation of underdevelopment came about when commercial capitalism and then industrial capitalism expanded and linked to the world market nonindustrial economies that went on to occupy different positions in the overall structure of the capitalist system. Thus, there exists among the developed and underdeveloped economies a difference, not only of the stage or the state of the production system, but also of function or position within the international economic structure of production and distribution: some produce industrial goods; others, raw material. This requires a definite structure of relations of domination to assure an international trade based on merchandise produced at unequal levels of technology and cost of labor force.

The concept of underdevelopment, as it is usually employed, refers to a type of economic system with a predominant primary sector, a high concentration of income, little diversification in its production system, and above all, an external market far outweighing the internal. This concept will not suffice.

Understanding the historicity of the underdevelopment situation requires more than just an indication of the structural characteristics of underdeveloped economies. It is necessary to analyze how the underdeveloped economies were linked historically to the world market and how internal social groups defined the outward-directed relations implicit in underdevelopment. Dependence on the sociopolitical level also began historically with the expansion of the economies of the early capitalist countries. In extreme
cases of dependence, decisions affecting the production or consumption of a given economy are taken in terms of the growth and interests of the developed economies; a typical example is the economy based on a colonial enclave.

The foregoing argument suggests that the distinction between "central" and "peripheral" economies has greater social significance than that between developed and underdeveloped economies. The former can incorporate immediately the idea of unequal positions and functions within the same structure of overall production. Nonetheless, it would not be sufficient or correct to replace the concepts of development and underdevelopment with those of a central and a peripheral economy, or—as if it were a synthesis of both—with those of an autonomous and a dependent economy. These concepts differ as much in their dimensions as in their theoretical meaning. The idea of dependence refers to the conditions under which alone the economic and political system can exist and function in its connections with the world productive structure. The idea of underdevelopment refers to the degree of diversification of the production system without emphasizing the patterns of control of decisions on production and consumption, whether internal (socialism, capitalism, etc.) or external (colonialism, poverty of the world market, etc.). The ideas of "center" and "periphery" stress the functions that underdeveloped economies perform in the world market, but overlook the socio-political factors involved in the situation of dependence.

A society can undergo profound changes in its production system without the creation of fully autonomous decision-making centers. Such was the case when Argentina and Brazil ended the process of import substitution and began the production of capital goods. They had attained a degree of economic maturity, even—as happened to some extent in Argentina—in income distribution. In spite of that, not only is its industrial sector controlled from abroad, but it plays a complementary and subordinated role from the standpoint of the international capitalist system. A national society can achieve a certain autonomy of decision without thereby having a production system and an income distribution comparable to those in the central developed countries or even in some peripheral developing countries. This can occur, for example, when a country breaks its ties with a given system of domination without incorporating itself totally into another (Yugoslavia, China, Algiers, Egypt, Cuba, and even Revolutionary Mexico).

Since there need not be an immediate connection between the diversification of the economic system and the formation of autonomous decision-making centers, analyses should define not only the degree of economic diversification and social differentiation reached by countries that are being integrated into the world market, but also the manner in which this integration was achieved historically. Such an approach calls for great caution in interpreting how the economy of Latin America has developed and its society has been modernized.

Various authors have emphasized development as an "unforeseen result" in Latin America. Some countries, for example, when planning the defense of their principal export product, carried out a currency devaluation policy that had the indirect and not altogether intended consequence of creating favorable conditions for industrial growth. Nevertheless, it would be difficult to claim that the economic diversification achieved in this way—during market fluctuations and without a program for increasing autonomy and changing class relations—can alone substantively alter the relations of dependence. The political reality of social behavior necessarily influences the form of the development process.

Thus, in a global interpretation of development, arguments based solely on market incentives and reactions do not suffice to explain industrialization and the economic process. Such incentives or mechanisms to defend the economy can only begin an industrialization process; its continuation requires changes favorable to development in the international
market and, still more essential, elements favorable to a broader measure of autonomy within the socio-political game of the developing countries.

What we seek are the characteristics of the national societies that express relations with the outside. The internal socio-political factors—linked naturally to the dynamic of the hegemonic centers—are precisely the ones that may produce policies taking advantage of the "new conditions" or new opportunities for economic growth. Similarly, it is the internal forces that give socio-political scope to the "spontaneous" diversification of the economic system. For example, the traditional dominant groups initially may oppose handing over their power of control to the new social groups that appear with industrialization, but they also may bargain with them, thereby altering the social and political consequences of development. National economic groups are connected with external groups in different ways and with different consequences before and after the development process begins. Moreover, the internal system of political alliances is often modified by international alliances.

We cannot accurately discuss the development process just from a strictly economic angle when our stated objective is to understand the formation of the national economies. Nor, for purposes of description, is it enough to analyze the behavior of variables—such as productivity, savings, and income rates, and consumption and employment functions—since these depend on structural factors and the historical process of change.

In the "colonial enclave" situation, the political subordination of the colony highlights the fact that the economic system is directly bound to the political system. On the other hand, when development takes place in "national states," the economic aspect becomes more visible; the political and social hegemony becomes less visible, but continues to influence whatever opportunities for development may appear in the market.

If it is accepted that market influences by themselves neither explain development nor guarantee its continuity or direction, then the behavior of social groups and institutions becomes crucial to the analysis of development.

"National Underdevelopment"

In situations of extreme colonial dependency local history is almost reduced to a reflection of what happens in a metropolis. However, the decision by local forces to rebel against colonialism and to create a nation implies an attempt to influence local history according to local values and interests. Economic links with external markets still impose limits to decisions and actions even after independence. The contradiction between the attempt to cope with the market situation in a politically autonomous way and the de facto situation of dependency characterizes what is the specific ambiguity of nations where political sovereignty is expressed by the new state and where economic subordination is reinforced by the international division of labor and by the economic control exerted by former or new imperialist centers. From a sociological viewpoint, here is perhaps the core of the problem of national development in Latin America.

"National underdevelopment" is a situation of objective economic subordination to outside nations and enterprises and, at the same time, of partial political attempts to cope with "national interests" through the state and social movements that try to preserve political autonomy. Ideological components play some role in the perception of what "national interest" means, as well as in the rationalization about the possibility of the existence of nation-states that have submitted to foreign interests and pressures.

One of the aims of comprehensive analyses of the national development process is to determine the links between social groups that in their behavior actually tie together the economic and political spheres. Insofar as, by definition, links of economic dependency imply a relationship between
local and external classes, states, and enterprises, the analyses of local social and political groups must include the connections with international partners. Some local classes or groups sustain dependency ties, enforcing foreign economic and political interests. Others are opposed to the maintenance of a given pattern of dependency. Dependence thus finds not only internal “expression,” but also its true character as implying a situation that structurally entails a link with the outside in such a way that what happens “internally” in a dependent country cannot be fully explained without taking into consideration the links that internal social groups have with external ones. Dependence should no longer be considered an “external variable”; its analysis should be based on the relations between the different social classes within the dependent nations themselves.

This analysis does away with the idea that class relations in dependent countries are like those of the central countries during their early development. At the beginning of the development process in the central countries, market forces generally act as arbiters in the conflict of interests between the dominant groups. Thus, economic rationality, measured in money, was made a norm of society; and consumption and investment were limited by the growth of the economic system. Expansion of the system was due to a dynamic group that controlled investment decisions and imposed upon the entire society an orientation based on its own interests. The rising economic class possessed efficiency and consensus in capitalistic terms.

It was believed that the ruling groups expressed the general interest and that the market functioned adequately as a mechanism to satisfy general and particular interests. Other groups that exerted pressure in order to share in the fruits of “progress” and in decision-making were ignored. Only long after the initial stage of industrialization did the popular classes participate politically and socially in the industrial societies.6


The national economies in the countries of “early growth” succeeded in part because they were consolidated at the same time that the world market expanded, so that these countries came to occupy the leading positions in the system of international domination. From this scheme it is evident that “early development,” although a very broad and imprecise term, is significantly different from what has occurred in Latin America.

It has been assumed that the peripheral countries would have to repeat the evolution of the economies of the central countries in order to achieve development. But it is clear that from its beginning the capitalist process implied an unequal relation between the central and the peripheral economies. Many “underdeveloped” economies—as is the case of the Latin American—were incorporated into the capitalist system as colonies and later as national states, and they have stayed in the capitalist system throughout their history. They remain, however, peripheral economies with particular historical paths when compared with central capitalist economies.

Capitalism should be studied in the hope, not of finding how its history may repeat at a later date in the peripheral countries, but of learning how the relation between peripheral and central was produced. Although it is possible to distinguish in the economic history of Latin America the periods of mercantile, industrial, and financial capitalism, it is important for us to make clear what the relation of dependence meant in each of these phases. It would be senseless to seek how far or how close Latin American economies are from “mercantilism,” “industrialism,” or “finance” forms of capitalism. They belong to the same international capitalistic system as central economies do. Consequently the history of central capitalism is, at the same time, the history of peripheral capitalism. But specific links between dependent and central economies could have been different in each of the above periods. The same can be argued vis-à-vis analyses about competitive or monopolistic trends in the development of capitalism and its effects on peripheral economies.

During these different phases of the capitalist process, the Latin American countries depended on various countries
that acted as centers and whose economic structures influenced the nature of the dependence. For example, Great Britain's economic expansion required some measure of development in the peripheral economies, since it relied on them to supply raw materials. Furthermore, these same economies were part of the market for its manufactured products. It was therefore necessary for Latin American production to achieve a certain degree of growth and modernization. The United States economy, on the other hand, had its own natural resources as well as a domestic market that permitted it a more autonomous development in respect of the peripheral economies; in some cases it even competed with the countries producing raw materials. The relation of dependence thus came to denote control of the development of other economies both in the production of raw materials and in the possible formation of other economic centers. The vitalizing role of the United States in the Latin American economies was therefore less important (prior to the formation of the present multinational) than the role performed by English capitalism.

The developing countries are by no means repeating the history of the developed countries. Historical conditions are different. When the world market was created along with development, it was thanks to the action of the "bourgeoisie conquérante." Now, development is undertaken when capitalist market relations already exist between both groups of countries and when the world market is divided between the capitalist and socialist worlds. What at first glance may appear to be deviant forms of the classic development pattern are simply not. When we recognize this, the present socio-economic system in dependent countries may become understandable.

Types of Linkage Between the National Economies and the Market

The rupture of what historians call the "colonial pact" and the early expansion of European industrial capitalism were the dominant historical features in the formation of the "new nations" in the nineteenth century. Expansion of the central industrialized economies, first of England and later of the United States, was carried out in the presence of the economic and social systems established by the preceding colonial expansion. Conversely, peripheral national economies fed into the different phases of the capitalist process. The development of a nation exporting a widely consumed product would differ according to whether the phase of capitalism was predominantly competitive or predominantly monopolistic. In the first case, chances are more favorable for local producers to find a place in the market. In the latter case, international monopolies usually try to control local production. In the same way, a country whose economy had been that of a colony of settlement, largely self-sufficient and using abundant labor, would differ from an exploitation colony that was more strictly exploited from the outside: after independence, the former could more easily organize an internal political-administrative apparatus to promote and carry out a "national policy." Furthermore, the physical foundation of a country's economy—for example, the type and possibilities of land occupation or the type of available mineral wealth—would influence the nature of its link with the world market after the period of national formation.

When Latin America emerged from its colonial dependence and entered a period of dependence on Great Britain, Britain sought support from national producers of export commodities who, because of the growth of their economic base—already under way in the colonial situation—could effect a new accommodation with emergent dominant forces at world level. Thanks to this they gained, if not absolute control, at least a privileged position in local structures of power.

In the passage from British to United States hegemony, new factors came into play: growth of the exporting groups was accompanied by a significant growth of the urban sectors of the economies, especially industry. Although the new form
of dependence had explanations outside the nation—it reflects the expansion of industrial corporations at the world level—internal class relations made it possible and gave it shape. The growth of the dependent economic system within the nation was determined, within limits, by the capacity that the internal systems of alliance between classes and groups and the hegemonic position of these alliances over society had to assure economic expansion. The pressure of the masses in recent years to incorporate themselves into the political system has spurred the dynamism of the prevailing economic form: dominant groups have expanded internal markets, and thus it is possible for them to absorb social pressures from below.

During this “nationalist-populist” period, the popular classes often allied with the new economically dominant groups tried to impose their participation and came into conflict with the systems of alliance existing among landlords and exporting sectors of the earlier situation.

The industrial group at first appeared in a marginal situation. Nevertheless, it was the only group in the new urban sectors that possessed a real economic base. As the one group that could absorb the urban popular sectors in a productive way, it was strategically situated to establish terms of alliance or compromise with the rest of the social system. This also accounts for its importance in the period following the crisis of the agro-export system.

**Toward a Comprehensive Analysis of Development**

There is no doubt that an analysis is needed to redefine, within the context of development, the meaning and functions of social classes and of the alliances they establish to maintain a structure of power and to generate social change and economic growth.

In developing but dependent countries, social structures reflect the double edge of the economic system: its external links and internal roots. Thus, social dynamics and social conflicts usually express both kinds of interests and pressures, those that derive from external influences and those that are national. Yet, as we stressed before, foreign interests have internal expression through the action of groups and persons who represent them or have advantages in their presence. It is not necessarily foreign interests that are represented or sustained by “modernizing elites.” “Traditional” groups—for instance, large landlords—are often the main sustaining force for foreign interests. On the other hand, after the industrialization of peripheral economies under the control of multinational corporations, previous industrializing spurts have gained continuity and have considerably expanded. This implies the growth of urban working classes, as well as the diversification of social stratification. New middle-class groups—technicians, private and public employers, people devoted to the service sector, professionals, and so forth—have gained strength in society. The strong participation of the state in the economic process of growth has enlarged the participation of bureaucracies and of the military in Latin American societies. All together these processes show the complexity of the situation of underdevelopment. It gives rise to activities of social groups corresponding to the patterns of “industrialized mass societies”—as in the case of urban patterns of mass consumption vis-à-vis mass media influence on mass behavior—and at same time to others in which social norms typical of “class situations” prevail. The latter can be seen in the style of political confrontation in crises situations, as well as in the shape and functions of workers unions. Corporatist components of the political system indeed redefine class behavior, as is notorious in the case of unions under authoritarian regimes in Latin America. Sometimes even “state situations” (in the Weberian sense) have importance in the understanding of conflicts and accommodations that prevail: “traditional” sectors of middle and upper classes protect themselves through mechanisms of social identification—clubs, professional associations, and so forth—that are based not on direct economic or market interests but on specific forms of socialization and defense of privileges.
based on degrees of education, family origin, and shared values.

If we admit that these factors of differentiation and complexity are intermixed with the above mentioned multiple links with external societies and economic interests, it is not difficult to see the reasons why analyses of dependency need theoretical efforts to stress specificities.

The social and economic transformations that alter the internal and external aspects of the underdeveloped and dependent societies are actually political processes that, in present historical conditions, do not always favor national development. Our analysis of social development always assumes the possibility of stagnation and heteronomy. To determine the possibilities of success, it is necessary to analyze not only structure but also the action of social forces—both those that tend to maintain the status quo and those that exert pressure for social change—as well as the "value orientations" or ideologies that are associated with social actions and movements. Since these forces are interrelated and express a market situation with various possibilities of growth, analysis is complete only when the economic and the social have their reciprocal determinations defined at the internal and external levels.