

Imperialism in Latin America and a critical analysis of 'Dependency Theory'

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Somewhere around 1963 Eric Hobsbawm wrote about Latin America that it is - “one of the most explosive regions of the world”. Latin America, Africa and Caribbean countries have gone through the most brutal onslaught of imperialism all through history since the rise of imperialism. Latin America shares a little different or very different history in terms of her resistance to imperialist plunder and exploitation. Keeping this history in view, her first contact with the outside world and the brave resistance she has put forth against the rough treatment - Hobsbawm’s statement stands justified. *Santa María, Pinta* and *Niña* touched the coast of Latin America causing shipwreck to her history. In Galeano’s words:

“The division of labor among nations is that some specialize in winning and others in losing. Our part of the world, known today as Latin America, was precocious: it has specialized in losing ever since those remote times when Renaissance Europeans ventured across the ocean and buried their teeth in the throats of the Indian civilizations. Centuries passed, and Latin America perfected its role.” (Galeano, p.1)

Definitely, in the international division of labour Latin America has been the most exploited region of the world since colonial era to current period; the magnitude of exploitation of natural resources and human labour was prodigious; in this light the words of Galeano do not seem an exaggeration. It was Africa and Latin America which suffered the worse inhuman treatment and drain of natural resources in the colonial era. Apart from drudgery in the gold and silver mines, slaves from Africa and indigenous population toiled in sugar, coffee and rubber plantations making confectionary sweet and morning fresh in Europe. In the era of neo-colonization and finally neo-liberalization Latin America remained at the worst receiving end of the world capitalist system. Latin America became the guinea pig for the experiments of Neo-liberal policies. The vaccination prescribed by bourgeois think tanks to the ailing capitalism was ‘Structural Adjustment Program’ in 1980s in the form of extreme privatization and liberalization. The first experiment of these policies took place in Latin America. Generally the first experiment results in worse outcome and this is what has happened in Latin America; the implementation of SAP policies transformed the lives of the masses literally like that of *Comala*.

We can say that any discussion on Imperialism makes reference of Latin America imperative. The paper would first present a brief history of Latin America since Spanish *conquistadores*, colonization, neo-colonialism and then post independence to neo-liberal era; the second part would present the Dependency Theory debate. The idea of including Dependency Theory debate is owing to the fact that it has a deep influence on the generations of economists, historians and literary critics till date since its inception in 1960s. However, the theory was thoroughly criticized in the years following its conceptualization; there is an increased interest in the academia about dependency theory in recent past.

Spanish Conquistadores: Colonization of the region

Columbus reached the coast of now called Latin America thinking he had reached Asia through western route; however, the truth was not disappointing considering the wealth amassed by the Spaniards from the New World, not Asia. The role played by the silver and gold of the New World in transforming European world is beautifully summed up by Marx in *Capital*, volume 1, chapter 3:

“The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalled the rosy dawn of the era of capitalist production. These idyllic proceedings are the chief moments of primitive accumulation.”

Just like any imperialism, the era of Spanish imperialism in Latin America was another saga of inhuman exploitation; plunder of natural resources and oppression of the indigenous people in general.

Potosí and Huanchaca in Bolivia, Guanajuato, Zacatecas and San Luis Potosí in México and later Minas Gerais in Brazil contributed in the primitive accumulation. Spain and Portugal hardly benefitted from the wealth accumulated; it was other European countries mainly Britain, France and United States who reaped the advantage. Contrary to the productive role it played in Britain and France; the silver and gold of the New World plunged Spanish aristocracy deep into feudal parasitism, extravagance and lethargy.

In the Potosi mines of Bolivia slaves from Africa and indigenous population were forced inside the mines and were pulled out half dead. The poisonous gases, temperature and humidity level difference at the depth of the mines and the surface had serious adverse effects on the

health of the mine workers causing pneumonia and respiratory infections. With the discovery of mercury amalgamation process the silver production exploded to no limit and equally the plight of the *mitayos* who worked under *mita* system. According to a mining boss: “If 20 healthy Indians enter on Monday, half may emerge crippled on Saturday”. The conditions in Minas Gerais in Brazil were no different. In the mines of Brazil slaves from Africa slogged in huge numbers.

Sugar, coffee and rubber plantations were the other areas of production which colonizers ventured in apart from the mining of natural resources, mainly gold and silver. Till Minas Gerais was not discovered with silver reserve Bahi was Brazil’s capital in the heart of sugar plantation. The land which did not yield silver and gold was made to grow money by exhausting labour of indigenous population in back breaking sugar and rubber plantations. Brazil and Caribbean countries became the region where sugar plantations were established by clearing the land and granting it in huge allotments to the landlords. They became the first generation of feudal landlords of the *haciendas*. In Spanish Latin America the landlords were also given right to *encomiendas*, that is, a grant by the Spanish Crown to a colonist in America conferring the right to demand tribute and forced labour from the Indian inhabitants of an area. Similarly like mines, in the plantations, slaves from Africa worked side by side the indigenous population.

Sugar that made the confectionary of Europe sweet, tasted bitter to the whole population of Africa who were severed from their homeland and thrust into sugar plantations. Trading posts were established and African slaves were transported to the New World in crammed ships with almost no food supplies. It was cheaper to let the slaves die on the way instead of sparing space for food.

During the colonial era, roughly 3.5 million Africans were forcibly relocated into the New World. Brazil was turned into grand sugar colony and Portuguese prospered on the blood, flesh and sweat of the African slaves and indigenous population. In 1762 British took control of Havana for sugar plantation and French had Haiti. Slavery under French and British was as brutal as that under the Portuguese and Spanish.

Latin America and the Caribbean countries were connected to the world trade through commercial crops and precious metals. Major share of income went to Spanish crown and rest was enjoyed by the Spanish elite in Latin America. Over the years, these *criollos*, colonial born

of white-skinned, Spanish-descended parents, came to dominate offices and the economy of the region during colonial era. It was under this *criollo* leadership that Latin America got independence. San Martin and Simon Bolivar were neither visionaries nor sons of the Enlightenment. Although they were cognizant of Enlightenment ideas, both men favored monarchism and remained staunchly conservative. As *croillos*, they viewed whites as superior, and Indians and *mestizos* as incapable of self-rule. For Indians and *mestizos* nothing changed with independence, however, San Martin spoke for their rights but history had to wait for their assimilation and equal rights.

The years following independence, Latin American economy took an inward turn. The newly independent nations took loans from European banks but with the lack of revenue and declining exports, defaults followed. From the late 1820s until mid-century, there were exceedingly few big financial transactions between Imperialist countries of Europe or the United States and Latin America. But soon foreign investments resumed and Britain emerged as biggest investor in the region transforming Latin American countries into neo-colony.

The independence was not marked by a severing from the colonial past the colonial form of rule and administration continued. Powerful merchants continued to dominate the economic life of each region or country. The legal mechanisms assisted them in acquiring enormous tracts of land, *Latifundio* had already been well established during the colonial period and it continued with post independence era. Huge feudal estates, called *haciendas*, dominated much of central Mexico and elsewhere. The big *latifundia* owners continued to gain favor of both conservative and liberal in Latin America. In Argentina, for example, a legal mechanism of Roman origin, the Law of Emphyteusis (1826), equipped merchants to buy up much of the *pamas* and diversify their wealth by moving into ranching. Elsewhere in Latin America, elites acquired Churches properties - which were a major incentive for their allowing liberalism to triumph. In the post-Independence era, enormous loans were extended by the Church to elites, many of which were never repaid. In short, the new nations which came into being did not see any sharp break from the past on the level of mode of production. The class relations continued to be more-or-less the same and the other causes leading to more underdeveloped status in the world capitalist system had reasons internal to the region than solely external.

The Neo-colonial Era

The post Second World War era witnessed a changed form of imperial domination; the direct political and economic control through territorial acquisition was the bygone days of imperialism; the new order maintained its dominance through finance capital and puppet regimes. We can say that the phenomenon of puppet regimes were broadly Latin America specific, although, the fifty long years of US domination in Philippines falls into the same category of neo-colony.

From 1850s to 1928, Latin American Exports rose roughly to 1,000 percent. Commodity production dominated the economy and the exports of the region reached new heights through mineral resources or cash crops. Argentina was exporting corn and meat, Brazilian and Colombian coffee ruled the market, Cuban sugar dominated, Chilean copper mines were opened, and Bolivian tin production soared. Mexico also became a leading oil producer, supplying a quarter of the world's crude oil by 1910. In the late 1920s, Venezuela's oil fields began to take off. Yet export growth was uneven, although significant, economic change through trade was by no means all-encompassing. Some nations, such as Peru which had been a major exporter of guano, saw their exports decline. Others, such as Paraguay and Honduras remained largely isolated.

This was the period of neo-colonies in Latin America Britain dominated the region till First World War and then US domination continued through finance capital. Although there was export boom but this was also associated with a significant loss of national control of the export sector in many countries. In those countries in which the value of exports grew at more than 5 percent a year between 1913 and 1929 (Colombia, the Dominican Republic, Honduras, Paraguay, Peru, Puerto Rico, and Venezuela), foreign penetration of the export sector was particularly marked. These foreign investments occurred above all in commodities (e.g., oil, copper, banana, and sugar) for which world demand was in any case rising relatively rapidly. Coupled with an increase in market share for these products, the foreign-owned enclaves at times acquired a dominant position. The extremely generous contract terms open to foreign investor at the time led to low tax yields and high profit remittances; this reduced the returned value associated with export growth in many countries and undermined the stimulus to the non-export sector associated with the export-led model. Natural resources and labour power of these countries were exploited by foreign capital and accumulated surplus flew to foreign land leaving the country poor and incapable to develop a diversified economy.

Till First World War, United Kingdom investment dominated public external debt and direct foreign investment in maximum countries of Latin America. Cuba, Dominican Republic, Honduras, Haiti, were US finance dominated while Brazil, Mexico, Argentina, Paraguay, El Salvador, Uruguay were British dominated. Apart from Britain, France and Germany were the other players in the region. The new wave of foreign investment or interest in the region sent signs of alarm to the US, particularly, British investments. With the construction of Panama Canal in 1903 and addition of a corollary to Monroe Doctrine in 1904 US reinforced its domination in the western hemisphere. The Panama Canal became the foremost symbol of American domination during the twentieth century. The corollary declared that the United States has right to police Latin American countries when they failed to keep their political houses in order. Various Caribbean and Central American nations close to the United States became targets of U.S. military intervention during the early twentieth century. In the period following the Second World War, American intervention in Latin America was explicitly overt and controlled regimes to the extent that the nomenclature neo-colony and puppet regimes suit them the best.

At this point the history of United Fruit Company in Latin America deserves a reference as it not merely reflects increasing US domination in the region and transformation of many countries into single crop economy, but the kind of exploitation and oppression the company employed in keeping its profit high was also reflective of the aggression US imperialism is going to employ in future to keep its profit high. In late nineteenth and early twentieth century United Fruit Company of America started banana plantations in Costa Rica, Nicaragua, Panama, Cuba, Haiti, Colombia, Honduras and the Dominican Republic. These plantations were infamous for their exploitation and inhuman living condition of the plantation workers. They transformed economy of the countries into single crop economy, for example, Honduras, Guatemala, Dominican Republic and also exerted powerful influence on the politics of the countries, literally controlling in term of 'Banana Republic' a name given by O. Henry. The company became so infamous for its exploitation and political maneuvering that it was forced to start an adventure trip to these countries to show the healthy working conditions to the world. It was United Fruit Company which played key role in coup d'état against the democratically elected Juan José Arévalo in 1954 in Guatemala as he introduced minimum wages for workers. The banana plantation strike episode in 'Hundred Years of Solitude' reflects the exploitative and oppressive nature of the fruit plantations, although an exaggeration, but based on true incident of strike in Columbian banana plantations.

Latin American Economy and Populist Regimes

Previous to World War II, Latin American countries, specially, Argentina, Chile, Peru, Puerto Rico, Brazil, Mexico and Honduras were exporting food commodities and mineral resources. Britain remained heavily dependent on Latin America for food imports (i.e. meat and sugar) before and during the First World War. Argentina increased its share in food export from 40 percent in 1914 to 70 percent in 1928. Argentina, Chile, Brazil, Mexico, Colombia and Uruguay were able to diversify their economy. The series of shock, both positive and negative, the economies had gone through since 1920s generated a fierce reaction against export-led growth and there were strong opinions favoring policies of industrialization. Post World War II period saw shift in the leading economies of Latin America, which is popularly known as Import Substitution Industrialization (ISI). Argentina, Chile, Brazil and Mexico headed towards ISI. This is the period of Populism in Latin America. Capitalism creates its own political agents to fulfill its material requirements. The rapidly industrializing countries needed stable supply of capital and market. The underconsumptionist logic of Economic Commission for Latin America and Caribbean (ECLAC) advised an increasing consumer capacity of the workers for a stable market. At the same time there was pressure from the organized working class in the region particularly in Brazil, Argentina and Chile. Mexico was already going through rapid transformation after revolution. Mexico nationalized petroleum under PEMEX followed by Getúlio Vargas in Brazil under Petrobras, and PDVSA in Venezuela. These actions were also welcomed owing to the fact that private investors were not in favor of long term investments and in many cases not capable of doing so. The gap was filled by State Owned Enterprises. The pressure from organized working class and requirement of capital together created ground for the rise of populism. Brazil got Vargas and Argentina Juan Perón and Eva Perón. Chile took little different road, it has gone through right wing dictatorship to reformism and experienced three years of Socialist President Salvador Allende who was toppled down by the U.S backed military coup d'état by Pinochet. The pressure of the working class led to radical economic and land reforms by Allende during his short rule from 1970 to 1973. After the fall of Salvador Allende, who fought bravely till his last breath against imperialist forces, Chile was the first country in the so-called 'Third World' to open door to Structural Adjustment Programme rendering completely to neo-liberal policies. After Chile, dictatorship followed in Argentina under Jorge Rafael Videla. A rapid privatization process started under his dictatorship. Next was Uruguay, policies of privatization and foreign direct investment were followed by civic-military dictatorship. Apart from their naked privatization and open market policies all these US backed coup d'état and

dictatorships were infamous for gross human right violations, brutal killings and disappearance of thousands and thousands of people.

Before going to the phase of Neo-liberal policies few important points need attention if not elaboration under the limits of the paper: land reforms, income distribution, industrialization and role of bourgeoisie. Land reform was widely attempted in the 1960s but for most governments it was a cosmetic exercise designed to ensure compliance with the Alliance for Progress. Reluctance to attempt anything more radical was due not only to the political influence of the landowning class but also to the fear that redistribution would undermine export earnings, for agricultural exports came disproportionately from large estates. Even in Mexico land reforms were not attempted rather public expenditures (e.g., irrigation) and credit were concentrated on the largest farmers. Nationalization had also not proved very effective in increasing per capita income. Nationalization under bourgeois state has limitations and even this kind of nationalization with limitations was short-lived in Latin America because the Capitalist class kept strong hold on the economy all through. At the same time the bourgeoisie remained closely tied to the imperialist power in general and US in particular. They can be termed as junior partners of imperialism. By 1950s and 1960s, Brazil, Mexico, Argentina, Chile and Colombia, where highly industrialized, despite nationalization, the big capitalists reaped the maximum profit and with neo-liberal policies class polarization became even sharper owing to the fact that big firm and industries were sold out to big bourgeoisie.

Neo-liberal policy and the era of Structural Adjustment Programme

By the year 1970s the honeymoon of world capitalism ended and it entered into a long depression with very brief phases of recovery followed by serious crises. Returning to the period immediate to the end of the Golden Era of capitalism, the desperate quest to maintain and increase falling rate of profit, the think tanks of capitalism came up with the policies of globalization, where privatization, liberalization, doing away with all the barriers to the international flow of capital, putting an end to every kind of regulation by curtailing the government expenditure in a big way, making labour markets flexible by relaxing the labour laws, opening flood gates of foreign direct investments, setting up floating exchange rates so that the regulation of capital can be ended, low rates of interest and completely opening the national markets. All these policies were collectively termed by the World Bank and IMF as the **Structural Adjustment Program (S.A.P.)** in the decade of 1980s and they offered to provide loans to the crisis-ridden countries of the “Third World” on the conditions of implementing these policies. In Latin America the debt crisis of 1980s which led to economic imbalances and

high inflation levels prepared ground for the reception of neo-liberal policies. Hence, some countries of Latin America and Mexico became the laboratories for the first experiments of the policies of the Structural Adjustment Program. But soon the devastating consequences of these policies came to surface. Abject poverty, unemployment, retrenchments and lockouts, increasing number of the homeless and the socio-economic insecurity led to resentment among the people.

These new policies of globalization were implemented in Latin America broadly in three phases; first started by the puppet regime of Augusto Pinochet after toppling the democratically elected Allende government in 1973. Chile became the first ground where these policies were implemented. The footsteps of Pinochet were followed by the neighboring military dictatorships of Argentina and Uruguay. The second round of reforms were implemented under the debt crisis. The debt crisis provided political privilege to World Bank and IMF and they further pushed forward the speedy implementation of SAP. The third round of implementation came in 1990s.

In Latin American countries, the first round of structural adjustments included draconian cuts to social spending, the closing and sale of state-run enterprises, the dismantling of protectionist barriers that restricted commercial trade and the free movement of transnational capital, the suppression of salaries, the weakening of unions and a series of constitutional and legal changes designed to create an attractive climate for private investment.

It did not take long to prove that the policies of globalization have failed to achieve the desired results of relieving capitalism of crisis. However, these policies had lasting effect on the organization of working class world over. Limiting the analysis of effect of these policies to Latin American context, the first major consequence of these policies was rural migration to urban centers. The agrarian and tribal populations are deprived of their land and resources in major assaults of privatization and dispossession. The Privatization and land grabbing by multinational companies forced the rural population for migration to urban centers. The 1990s saw exodus of rural Mexican population to northern centers of the US but also to the farm lands of Southern USA bordering Mexico. Up to forty million Mexicans estimated to live and work in the U.S., one half of these are recent migrants from rural hinterland of states such as Hidalgo, whose system of agrarian production and associated communities has been decimated by the impact of neoliberal or free-market policies. Brazil also witnessed almost equal magnitude of population movement from rural to urban centers. Just in the 1990s it has been estimated that over nine million landless workers migrated to the cities and urban centers

in Brazil in search of work and livelihood. Another round of migration in Mexico started in 1994 with the implementation of NAFTA which resulted in Mexican Agrarian Reform Law. Opening up of land market in Mexico coincided with eruption of Zapatista movement which could be considered as another catalyst in resulting another phase of rural migration to America. The magnitude of migration could be estimated by the fact that this phase of migration caused Mexicanization of U.S labour force. (Petras, Veltmayer)

Second major effect of neo-liberal policy was the informalization of labour. With capital becoming more and more unproductive, job opportunities are shrinking rendering urban centers incapable in absorbing the massive population released from the rural areas. Instead of being assimilated into the industrial proletariat, a sizeable section of the migrants is getting absorbed into the pool of informal workers who are footloose labour, sometimes working as self-employed workers, at others in some factory or other economic establishments. However, this portion of the working class too forms a part of the proletariat and capitalist production relation.

Response of the working class and toiling masses to SAP

The abject poverty, extreme unemployment, starvation and migration that accompanied neo-liberal policies met with clamor from the working class and the toiling masses. In 1980s, throughout the region, an outburst of protests and rioting was witnessed against the structural adjustment program which was dubbed as 'IMF reforms' in Latin America. Working Class movement, Teacher's movement in Mexico, Chiapas movement, Student movements (UNAM student movement), famous Cuchabamba movement against privatization of municipal water in Bolivia, indigenous movements etc. The strong working class and mass resistance that followed the implementation of SAP compelled imperialism to roll back the violent privatization spree, however, these policies had telling effects which still continue. Even the most radical government of Venezuela and Bolivia had succumbed to the neo-liberal policies.

Dependency Theory and Marxist Critique

After the Golden Era of Capitalist came to an end by late 1960s and early 1970s, crisis started hitting hard the world capitalist system. The prescribed policies of Globalization, namely, privatization, liberalization and open market policies failed to bring any relief. The crisis also witnessed resurgence of the theory of crisis and imperialism in late 1960s. Among various theories, e.g., underconsumptionism, surplus extraction theory to profit squeeze theory of

imperialism, the theory which has most lasting impression on intellectuals, historians and revolutionaries in Latin America in particular is the Dependency Theory. Latin America is also the ground where Dependency Theory originated.

The theory was criticized by Marxist scholars and communists from the Marxist-Leninist theoretical perspective, emphasizing on mode of production and class relations. Scholars like Ronald H. Chilcote have criticized Dependency Theory but their soft stance has left scope for the acceptance of the theory and this has been the case with many intellectuals in Latin America and world over. However, again there is a new trend of revival of the theory among the intellectuals. While we are discussing different theories and aspects of imperialism, a discussion on Dependency Theory is crucial.

Raul Prebisch, Director of the United Nations Economic Commission for Latin America, postulated Dependency Theory in the late 1950s, however, it was Andre Gunder Frank who with his work “Development of the Underdevelopment” in 1966 initiated a debate on the political and economic backwardness of the Global South. The theory started an exhaustive debate with participation from both bourgeois and Marxist scholars. The theory received serious criticism from Marxist scholars like Anwar Shaikh, Elizabeth Dore, John Weeks, Kinzo Mohri, Ronald Munck, Ocampo etc. which would be discussed shortly. The main contributors of the theory or the *dependentistas* apart from Andre Gunder Frank are Cardoso, Dos Santos, etc.

The central argument of the *dependentistas* is that the cause of exploitation or the crisis lies in the sphere of exchange emphasizing the surplus extraction from one country by another. For the *dependentistas* the world stands divided in exploitative core and dependent peripheries. The essence of the argument is that capitalism is not based on the exploitation of the proletariat but upon the exploitation of the countries. Most of the arguments figure around the geographical binary created, that is, advanced Europe and America and backward global south. The dependency scholars mostly trace this backwardness long back in history. The relationships of the countries in general are elaborated without being country specific. In most of the cases the generalization is not compatible with reality. The paper would discuss the different aspects of Dependency Theory mainly elaborated by Andre Gunder Frank, Cardoso and Samir Amin. Frank has borrowed extensively from Paul Baran for his dependency theory. Many scholars like Charls A. Barone, Elizabeth Dore and John Weeks have analysed and criticized Baran as dependency theorist, though his analysis is significantly different from the dependency theory of Frank and others. Hence, we would first discuss Paul Baran first.

Dependency Theory is a sub-species of a broader species of theories which emphasize on exchange relations and the sphere of circulation rather than production relations and the sphere of production. These theories complement each other and borrow from each other, despite having some differences. The last section of the paper would discuss two scholars of 'unequal exchange' theory, Brazilian scholar Marini and Samir Amin.

Paul Baran and wish for a capitalism that never was!

Paul Baran in his book *The Political Economy of Growth* (1957) discussed the theory of underdevelopment. According to Baran the cause of underdevelopment of the backward countries could be traced in the manner capitalism spread from its center of accumulation to the rest of the world. In areas like New Zealand, Australia, North America a successful capitalist development took place as these areas saw little or no resistance from the local population which was almost in the state of vacuum. Other regions of the world which involved primitive or tribal societies were transformed into the appendage of the metropolis of the world almost blocking their development.

Baran says that it is important to understand what led to the development of capitalism in Western Europe because from there it spread to the rest of the world transforming it into either capitalist countries or dependent economies. Paul Baran believes that conditions prior to the development of capitalism in Western Europe were more or less similar everywhere. However, the rise of capitalism in Western Europe as a historical process was different because here the decomposition of feudalism and primitive accumulation played crucial role to the rise of capitalism. It is important to note here that Baran does not consider merchant capital as the sole cause of rise of capitalism as claimed by Frank. For him other than 'primary accumulation' rest of the conditions were more or less similar elsewhere, however, it was the accumulation of merchant capital which distinguished Western Europe from rest of the world and led to the development of Capitalism.

The western capitalist expansion came in contact with the backward countries and extracted its surplus through outright plunder or plunder veiled in the form of trade. From here started expansion of western capitalism. The extracted surplus flew to the center. This transfer of wealth and the manner by which it was implemented in the backward countries violently jolted its development and altered its entire course. In due course these foreign penetrations of capitalism created conditions for development of capitalism at the same time blocked other developments of the periphery. Countries with capitalist development saw the accelerated

destruction of pre-capitalist structure and rise of legal system to suit the new property relations. The self sufficiency of these economies was destroyed and there was reallocation of resources away from domestic food production to the production of export crop. Industries were to serve the metropolis; technology and skilled labour were imported and did not spread to the economy as a whole; the economic surplus generated flew back to metropolis countries; whatever limited market developed functioned as appendage to the market of the core.

Destruction of the self sufficiency creates condition for commodity circulation in general. Although the expansion of commodity circulation and the creation of a potential industrial proletariat says Baran "provided a powerful impetus to the development of capitalism, this development was forcibly shunted off its normal course, distorted, and crippled to suit the purpose of Western imperialism. Baran says:

“Thus the peoples who came into the orbit of Western capitalist expansion found themselves in the twilight of feudalism and capitalism enduring the worst features of both worlds, and the entire impact of imperialist subjugation to boot They were forced into extensive contact with the advanced science of the West, yet remained in a state of the darkest backwardness.”
(Baran, 144)

The lack of class understanding of history is acceptable on the part of Frank who has entirely deviated from Marxism but we see the same error in Baran. The failure to understand the specific character of capitalism would be self-contradictory in understanding of the backwardness or would lead to reformism. Baran is ideal case of this confusion and reformism. Baran does not see backwardness as internal but entirely imposed from without, hence, the world system could function better with more benevolence expected from the developed nations. Baran argues:

“If the most advanced countries' contact with the backward world had been different from what it was, if it had consisted of genuine cooperation and assistance rather than of oppression and exploitation, then the progressive development of the now underdeveloped countries would have proceeded with incomparably less delay, less human sacrifice and suffering. A peaceful transplantation of Western culture, science, and technology to the less advanced countries would have served everywhere as a powerful catalyst of economic progress”(Baran, 1968,162,).

This understanding of capitalism does sound similar to the logic of 'corporate social responsibility'. Just like any bourgeois apologist for whom profit making is not at all a sin, the only problem is little compassion for the poor and deprived from the capitalist class.

Andre Gunder Frank and his Ahistorical Capitalism

Andre Gunder Frank can be considered as the founding figure of the Dependency Theory. He developed the theory in most elaborated manner. He defined the relationship of metropolis and satellite in maximum possible imaginary form where historical facts and statistical records have no role to play. His development and underdevelopment are two aspects of the same coin, one leading to another; the existence of one is impossible without other.

According to Frank, the internal contradictions of the capitalist system are implicit in the extraction of 'economic surplus' from the majority and its appropriation by the few; the polarization of the capitalist system into a metropolitan center and peripheral satellite countries; and the continuity of this structure throughout the expansion and evolution of capitalism, so that these contradictions are reproduced and maintained everywhere and at all times. (Frank, p. 3.)

The expansion and evolution of capitalism generates underdevelopment in one part of the world from where surplus is extracted leading to the development of metropolis. This developed and underdeveloped region as a whole constitute world capitalist system.

Frank notes four important characteristics of this world capitalist system:

- 1) Close economic, political, social and cultural ties between each metropolis and its satellites, which result in the total integration of the farthest outpost and peasant into the system as a whole . . .
- 2) Monopolistic structure of the whole system, in which each metropolis holds monopoly power over its satellites; the source of the monopoly varies from one case to another, but the existence of this monopoly is universal all through the system.
- 3) As occurs in any monopolistic system, misuse and misdirection of available resources throughout the whole system and metropolis-satellite chain.

- 4) As part of this misuse, the expropriation and appropriation of a large part or even all of and more than the economic surplus or surplus value of the satellite by its local, regional, national or international metropolis.

Regarding the development of world capitalist system and its history Frank more specifically argues that it developed in fifteenth century in Western Europe. Genius of him has broadened the range and era of capitalism even further to the very beginning of commodity production and origin of international trade, which dates back to Roman antiquity or even earlier in his later works. Here we are taking his earlier stance. In his view, the extension of the market on a world scale gives rise to a "*single organic* mercantilist or mercantile capitalist system and later also industrial and financial capitalist system whose metropolitan center developed in Western Europe and then North America and whose peripheral satellites underdeveloped on all the remaining continents." (Frank, P.15) The varied ways in which the production has been reorganized from slavery to feudalism to satisfy the needs of metropolis are all considered capitalist by Frank. This changing production system in the satellite from slavery to feudalism was the development of the underdevelopment to suit the needs of the metropolis.

Frank has argued that the capitalist foreign expansion has not resulted in semi-feudal economies or stunted growth in backward countries as Baran has discussed, instead they followed the path of capitalist development. Frank argues that the extension of market in the countries of Western Europe led to capitalist development in the periphery. The capitalism in Western Europe was developed and capitalism in Latin America and other peripheral countries was underdeveloped, but it was capitalism. Advanced capitalism imposes politico-administrative structures on the backward countries for the appropriation of surplus and these structures according to Frank were also capitalist. According to this view all the *encomiendas*, *catequil*, *latifundium*, and *haciendas* were capitalist. These structures led to the 'ultra-exploitation' of the satellite. These structure also gave rise to the development of resident commercial and productive bourgeoisie.

The complete dependence of the satellite on metropolis present a picture of the world where every development repeats itself twice, first in advanced form and second time in duplicate backward form. The structural development, the class development and the industrial development, every phenomenon at periphery has external forces and causes behind. From this logic independent industrial development in the periphery is impossible. But there was indigenous industrial development in Brazil, Chile and Mexico. Frank has arguments to explain this phenomenon as well. He explains that it was the period of loosen tie between core and

periphery. The period of crisis and war between 1930-1953 resulted in conditions which relaxed the tie between core and periphery and gave rise to “bourgeois nationalist industrialization”. But soon these developments were rolled back and de-Latin Americanization of the industries and the satellitization of Latin American economy and bourgeoisie took place. The achieved industrial and other development was stunted or in words of Frank became ‘lumpen development’. However, the implementation of neo-liberal policies in 1970s in Chile and later in other parts of Latin America resulted in strengthening of indigenous capitalist class which had major share in the economy earlier as well; this class in collaboration with Imperialist class exploited the resources and labour of Latin American countries in the neo-liberal era.

The entire surplus extraction theory of Baran and Frank in which the metropolis extracts surplus of satellites for its own development has two basic problems. It did not talk about how the surplus is produced; the whole process of surplus production is obliterated making surplus a mysterious object which causes underdevelopment. Secondly, capitalism is incapable of its own reproduction leading to a world system where advanced countries survive or develop by extracting surplus from underdeveloped countries.

Surplus is not something which is produced by a country as a whole and extracted by another country. Surplus is associated with whole labour process involved in certain mode of production. A mode of production is characterized by specific social relations which determines how the surplus is produced. By referring to exploitation as the relationship of the countries and separating appropriation from production and classes, the understanding of exploitation is lost. Plunder and exploitation have always been there in history, then, reference to capitalism *per se* is redundant or it has always been there. Dore and Weeks have rightly pointed out that surplus product arises in production and appears in circulation, if exchanged. By dealing with countries only, one considers the appearance of reality, not reality itself. What is missing here is the concept of mode of production. In ‘metropolis’ as well as in ‘satellite’ surplus production involves class relation constituting a class of exploiters, who appropriate the product of the direct producer.

Secondly capitalist development cannot be attributed to any phase of commodity production and development of a world market. Capitalism was a period in history when moneybag met with free labour; where labour could be bought and sold. Calling capitalism prior to this phase could only be a result of eclecticism and philosophical musing which is typical to *dependentistas*. Frank’s previous claim that capitalism existed since fifteenth century and later

inclusion of slavery and feudalism in the orbit of capitalism could be one such miraculous outcome of philosophical musing. As rightly pointed out by a critic, with such a wide notion of capitalism one could easily assert that there has never been anything but capitalism since the Neolithic age.

Capitalism is specific to time and space in history. Marx has clearly demonstrated that Capitalism is historically specific mode of production which comes into existence with primitive accumulation which caused dispossession of labour from land and means of production.

One does not perceive, when looking at the large manufactories and the large firms, that they are originated from the throwing into one of many small centers of production, and have been built up by the expropriation of many small independent producers.

. . . . the expropriation and eviction of a part of the agricultural population not only set free for industrial capital, the labourers, their means of subsistence, and material for labour; it also created the home market.” (Marx, 1974, 1:698-699).

Frank’s claim of existence of capitalism long back in history is anachronistic. What is central to the development of any society is its internal contradictions between forces and relation of production which propels society to advanced phase. The external factors could play only a secondary role which is the case with the plunder and exploitation of colonies. Latin American colonies of Spain made available maximum amount of gold and silver to Spain during that period on world scale, but it was not Spain where capitalism developed first, rather very late. This itself suggest that internal contradiction of any society is central, external is secondary.

It is a general notion among the *dependentistas* that merchant capital led to the development of capitalism. Frank shares the same view but with a twist; for him capitalism existed ever since slavery, when commodity production and exchange started, including international exchange. Marx has showed time and again that mercantilism can co-exist with a variety of modes of production and by itself and in itself it cannot give rise to capitalist production relations, though it can exacerbate the process of disintegration of pre-capitalist relations given certain conditions. Marx has elaborated on merchant capital:

‘Since merchant's capital is penned in the sphere of circulation, and since its function consists exclusively of promoting the exchange of commodities, it requires no other conditions for its existence . . . outside those necessary for the simple circulation of commodities and money . . . No matter what the basis on which products are produced . . . whether the basis of the primitive community, on slave production, of small peasant and petty bourgeois, or the

capitalist basis, the character of the products as commodities is not altered . . .” (Marx, 1974, 1:325).

Merchant capital by itself does not develop capitalist mode of production. It can be one factor among others but not the sole. The specific advanced stage of class relation, mature contradiction of forces and relation of production could only lead to development of capitalism. Otherwise, merchant capital, in the era of New World Colonialism, its own heyday, caused rigidification and mutation of pre-capitalist modes of production, and the duplication of itself in backward countries in the form of comprador classes allied with local pre-capitalist ruling classes. Merchant capital is not a productive capital.

Frank has not limited the division of the world into core and periphery which we have already discussed; he has suggested a whole constellation of metropolis and satellite. Even in the metropolis there are satellites and in satellites there is metropolis. This chain of metropolis to satellite is endless, each metropolis is a satellite and each satellite is a metropolis. Not to further confuse the issue in an attempt to reach the end of the chain, which is endless, it can be understood with few examples. Whole of Europe and America are metropolis and entire Asia, Africa and Latin America are satellites. In Europe less developed capitalist countries like Spain and Portugal are satellites of relatively advanced countries like Britain, France and Germany etc. In Satellite, i.e. Argentina, Buenos Aires is metropolis which serves as agent of big metropolis of Europe and United States. Similarly small towns would be satellite of Buenos Aires and metropolis to the rural areas. In this whole jumble of metropolis and satellite, class contradiction is completely invisible and class organization impossible. Each metropolis appropriates surplus from satellite, hence, an exploiter is exploited as well. This can be apparent reality but not the essence. The essence is each social formation is a mode of production. A mode of production is characterized by the specific social relations which determine how the surplus product is produced, the method whereby the surplus product is appropriated. This gives rise to particular superstructural forms which are implied by these social relations of production and appropriation. All societies in which there is class differentiation are characterized by exploitation, and the particular class structure of a society is not accidental, but determined by the specific method of appropriation.

When surplus appropriation is disassociated from class relations and is shifted to country, the logical call would be retention of that surplus. Then who will retain this surplus? Definitely the

bourgeois class. Hence this fetishization of surplus extraction produced an influential call for independent capitalist development to overcome dependent status. For Thomas Angotti it is ultimately a reformist policy that readily appeals to the apologists for neocolonialism and only leads to the proliferation of poverty and exploitation. Bill Warren has also said that Dependency Theory is nothing but a nationalist mythology. Petras has also rightly pointed:

“The metaphor of a metropolis/satellite relation eliminates the most essential factors that account for the specific relations and processes that shape historical development. The focus on the external relationships between social systems leads to an incapacity to differentiate the different moments of capital development, the specific configuration of types of capitals, the particular class relationships and conflicts engendered between capital and labour. What is left is an overly abstract set of assertion: core exploits periphery; core extract surplus from periphery.”

Similarly, the lack of class understanding of the backward region on the part of Marini which we would discuss shortly resulted in such reformist stance. Like Frank, Marini also considers backward region of the world as monolithic whole, equally exploited and oppressed. When Frank adds this adjective ‘their own’ to surplus of the underdeveloped section of the world, it leads to a personification of country, as in, if this surplus would have been left to ‘their own’ it would be used for general benefit of the country as a whole. This streak of idealism is common in *dependentistas* leading to the formulation of "national" bourgeoisie as the ally in anti-imperialist struggle in an age when there was nothing "national" left of these bourgeoisie. Idealism of different sort is prevalent in Frank. For him it is impossible for the peripheries to gain independence out of this dependent status through alliance with national bourgeoisies, because capitalism has been always there, only a complete overthrow of capitalism and leap into socialism could bring an end to this underdevelopment. This ostensibly ultra-revolutionary stand of Frank has been compared by some to Trotskyism.

F.H. Cardoso and his sophisticated Dependency Theory

The last scholar of Dependency theory we are going to discuss is F.H. Cardoso. Cardoso was an underconsumptionist in his earlier analysis of dependency placing emphasis on the search for market as the cause of imperialism. However, apparently he distanced himself from underconsumptionism characterizing it as ‘vulgar’ and generating ‘a relatively impoverished political analysis’. This criticism was particularly oriented towards Marini and Amin.

Cardoso emphasizes the role of social relations of production in Latin America in the analysis of dependency theory. Hence, he calls for –“the approach ought to be historical, and it therefore starts from the emergence of social formation” (Cardoso, 1977:13). He rejects the approach which liquidates the internal cause of underdevelopment and places all emphasis on external factors.

Cardoso criticize the external role of dependency calling it erroneous, however, he doesn't seem to break sufficiently from this method as we can see in the quote below:

“Underdevelopment then comes to be seen not merely as a process which is a concomitant of the expansion of mercantile capitalism and recurs under industrial capitalism, but as one which is actually generated by them The approach ought also to emphasize the specificity of dependency situations, as against societies in the countries of the economic center” (Cardoso, 1977:13).

This balancing act between external and internal factors is nothing but sophistication of dependency theory while retaining the old content intact. This approach places external and internal factor on the same level of importance. The movement of any society is primarily determined by its internal motion and external acts are secondary. However, considering both equal would be an eclectic treatment complicating matter superficially. The central line of argument of Cardoso is that external factors are primary but their impact is mediated or assumes different form as a consequence of internal circumstances. This approach results in a stress upon the elements absent in the backward country. These absent elements are raised to the level of explanation of backwardness. In case of Frank and Baran the absent element is surplus itself; in case of Marini and Amin it is high wages; and for Cardoso it is production of means of production.

Disappointingly, Cardoso with all his sophistication brings no new logical content to dependency theory. Cardoso and for that matter all *dependentistas* ignore the central role of class struggle in propelling any society to next phase in history.

The Unequal exchange theory and similarity with Dependency Theory

As we have already discussed that there is a broad species of theories that emphasize on exchange relations and sphere of circulation. Dependency Theory is offshoot of this main species. Marini and Samir Amin elaborated underdevelopment from the perspective of

unequal exchange theory. The Dependency Theory locates underdevelopment in the sphere of surplus extraction and departs from the basic Marxist categories of value and surplus value; however, the unequal exchange theory uses these basic categories. But, the excitement does not last long and we helplessly see the ball coming back to the same court. Marini, the Brazilian scholar, says that the analysis of capitalism must take place in the sphere of production, however, repeating the same error of Baran, argues that this analysis is applicable to capitalism at the 'center', and since 'peripheral' or 'dependent' is conditioned primarily by circulation, it is to the phenomena of circulation that we must look in order to understand capitalism at 'periphery'. This is the conceptual backdrop on which Marini presents his actual argument of 'wage theory'. He argues that in the underdeveloped capitalist countries, the role of the working class is that of the producers, and the product of his labor is exported. Since the product is exported; there is no need for this working class to serve as consumer; therefore his wages can be forced down without limit. He further argues, 'wage-profit distribution in the developed capitalist country is determined independently of the sphere of production, determined purely by the need to realize the value produced at "home" and "abroad."' Marini points out that his analysis implies that the opposition between labor and capital in the developed country is to overcome in the sphere of circulation since both classes share a common interest in having wages high' (Marini, 1972). Thus workers are 'super-exploited' in the dependent capitalism and there is no mechanism for their wages to rise as they are not needed for realization. Since wages do not rise, the internal market does not expand, and accumulation in the dependent country is retarded.

This theory defines 'Development' entirely with the living standard rather in term of development of productive forces. Wage levels, which are equated to living standards, are determined purely by the "need" for realization, both in the backward and the advanced capitalist countries. The realization problem or the underconsumptionist argument to explain the barrier of expansion of capital is not new and its criticism is equally old. Bukharin has pointed out that there is no realization problem since the major portion of realization of value occurs not through worker's (or even capitalists') consumption of the means of subsistence (the products of Department II in Marx's schema), but through the productive consumption of the means of production (the products of Department I) (Bukharin, 1968).

Amin is very eclectic in his writings and try to mix theories of Marx, Lenin, and neo-Recardian writing and other neo-classical theory to explain the laws of the motion of capitalist development on world scale. Amin elaborating on surplus extraction and unequal exchange

says that the profit seeking capitalism would reduce the wages to maximize profit. But this leads to the problem of realization. Accumulation is dependent on realization but with the greater share of surplus in net value, value is not realized. The solution comes from surplus extraction from the periphery. The extracted surplus from periphery is utilized to keep the wages high in the core so that the surplus value is realized. The movement of capital from the center equalizes these profit rates and result is "unequal exchange"; and because of the smallness of the peripheral market, the actual capital inflow is too small to result in significant accumulation.

This is the logic of under-consumption of Marini which we have discussed already. The fundamental problem with all the *dependentistas* and exchange theory scholars is that they place crisis in the sphere of exchange. Apart from the analysis of whole production process the contradiction between forces and relations of production finds no place in analysis of dependency theory. And this applies not only to dependency theorists but all scholars focusing on exchange relations, as we have seen in the case of Amin and Marini who says accumulation is dependent on realization. According to Marxist understanding realization is not a problem because effective demand always originates from the capitalist class in form of his productive consumption and individual consumption. Workers' consumption is a function of original capital investment and therefore it cannot solve the problem of realization. Instead, the problem of realization itself is an expression of the crisis of profitability. The *dependentistas* argue that the realization problem is solved by the advanced countries through periphery. The capital flows to periphery and surplus is extracted. The need of foreign market to solve the problem of realization has been discarded by Lenin:

“But what about the foreign market? Do we deny that capitalism needs a foreign market? Of course not. But the question of a foreign market has absolutely nothing to do with the question of realization, and the attempt to link them into one whole merely expresses . . . the romantic inability to think logically” (Lenin, 1972, 11:162).

The political economy of each dependency theory leads to a picture of a world where there exists an all encompassing capitalist world economy. Everything is decided from this relation of center and periphery. According to Wallerstein “the internal contradiction of any state particular is to preserve or alter the position within the world economy; the different political groups act according to their advantage or disadvantage due to the relation with the world economy”. All these generalizations of world system theory ignore the constantly changing

organization of capital, that is, from mercantile, to industrial to financial. Each changed organization of capital altered its relations with the periphery. At the same time considering internal contradiction and conflict central in the development of any social formation, the periphery has also altered its relations with the core from colonial domination to neo-colonial domination and then to politically independent relations. The state and bourgeoisie have evolved through internal class conflict of specific country with imperialist forces playing secondary role. Having said that, the role of imperialist power or core does have profound effect in shaping the development of social formations of Asia, Africa and Latin America; the more backward the productive forces would be the chances of vulnerability to imperialism increases.

For any revolutionary project, these intrinsic aspects of any social formation and their thorough study is imperative because their aim is not to ascend the ladder of bourgeois development or secure better position in the world capitalist system. However, their aim is fundamental transformation of the society which is possible through the concrete analysis of the concrete conditions of the society and organization of the working class.

Conclusion

James Petras has very accurately pointed out about Dependency Theory that, “the general weakness of this theory, of course, is that it explains everything and explains nothing...”

The generalization of everything from the binary perspective of developed north as exploiter and underdeveloped south as being exploited explains everything singularly same as religion has the capacity to explain all. The bankruptcy of research is evident in its abstract generalization. This is commonly held notion that the investment flows to backward region of the world. However, the statistics suggests otherwise, from 1957 to 1960, approximately 40 percent of U.S. foreign investment was located in what the Survey of Current Business defines as "under-developed" countries; by 1967-1970, this share had fallen to 33 percent, and was about 27 percent in 1975-76. U.S. Department of Commerce (1972 and 1977: p. 42,43). However, even though the foreign investment is high, it does not suggest particularly anything of complete dependency as suggested by Dependency theorists. Capitalism through its internal mechanism creates underdevelopment. Marx in Capital has described relationship between rich and poor countries. He states that merchant's capital "functions only as an agent of productive capital . . . Whenever merchant's capital still predominates we find backward nations. This is true even within one and the same country . . . " (Marx, 1967, III: 372).

Kenzo Mohri has suggested that till late 1850s Marx strongly believed that British trade and industrial capital will destroy the pre-capitalistic economy creating material condition for the rise of capitalism. However he shifted his stance by middle 1860s, the chapter 15 of Capital, Volume-I, reflects this changed view "A new and international division of labor, a division suited to the requirements of its chief centers of modern industry, springs up and converts one part of the globe into a chiefly agricultural field of production, for supplying the other part which remains a chiefly industrial field" (Marx, 1967, I: 451).

Lenin also referred to dependency. In Imperialism: the Highest State of Capitalism, he stated : "Not only are there two main groups of countries, those owning countries, and the colonies themselves, but also the diverse forms of dependent countries which, politically, are independent, but in fact are enmeshed in the net of financial and diplomatic dependency . . . " (Lenin, 1967, I: 742-743).

Hence dependency is not denied, capitalism creates its dependent regions but this is not based on unequal exchange. The very law of value is responsible for the backwardness or dependency of any country on advanced capitalist country. But this does not deny the internal motion of the backward countries. The social formation of particular country based on historically specific mode of production are primary and their relative backwardness is responsible in their position in international division of labour. However, what dependency suggests is that the status of dependency has been eternal. The militant *dependentistas* have gone to the extent of suggesting all the advanced countries are exploiter and all the dependent countries are exploited. This kind of unwarranted generalization fails to give any justification for labour movements, or students and youth movements in the advanced countries, which are very much part of the past one decade. At the same time there has been no attempt to analyze the role of bourgeoisie in the dependent peripheries. They are neither national bourgeoisie nor managers of the affair and administrators of metropolis. For example the Indian bourgeois enjoys lions share in surplus appropriation on national level in comparison to imperialist nations. At the same time they are investing in considerable ratio in the countries of Latin America and Africa.

In Brazil, Vale mining company privatized during Cardoso's Presidency controls almost 100 percent of Brazil's productive iron mines. In 2002 Public Eye a leading human rights and environmental group gave Vale an 'award' as the worst corporation in the world: 'The Vale Corporation acts with the most contempt for the environment and human right in the world'

(Guardian, January 27, 2002). In Mexico the debt crisis of 1980 resulted in extreme privatization. In the mining sector, 6.6 million hectares of national mineral reserves were put on the market, the majority of which were then transferred to three giant consortia: Grupo Mexico, property of Jorge Larrea, who is the third richest man in Mexico; Industrias Peñoles, whose largest stock holder is Alberto Bailleres, the second richest man in the country; and Grupo Frisco, which belongs to Carlos Slim, the richest man in the world. All these are local or 'national' bourgeoisie and we can see how 'their own surplus' is utilized. Mexico which ranks 13th in the richest economy of the world also ranks 4th in the poorest countries of the world. This leaves bare the claims of Dependency Theory of independent capitalist development as the solution to backwardness.

Lenin has rightly pointed out:

. . .if production relations remain unexplained (for example, if the process of the production of the aggregate social capital is not understood), all arguments about consumption and distribution turn into banalities, or innocent, romantic wishes" (Lenin, II:202-205).

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