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Cristóbal Kay

**THE CHALLENGE TO THE LATIN AMERICAN THEORIES
OF DEVELOPMENT AND UNDERDEVELOPMENT**

**Part I: Monetarism and the critique of dependency
analysis**

The article examines the waning influence of structuralist and dependency analyses and the subsequent rise and fall of neo-monetarism. Neo-monetarism became the fashion from the mid-1970s onwards but ran into trouble in the early 1980s. Latin America has been going through a profound economic crisis since the 1982-3 world recession from which it has yet to recover. Neo-monetarist policies are partly blamed for this economic collapse, which in many Latin American countries is more severe than the Great Depression of the 1930s. It is possible that the loss of credibility of neo-monetarism will lead to a renewal of interest in structuralist and dependencia ideas. At present old debates are resurfacing under new guises, such as those on industrialization, the debt, inflation, and state intervention. Thus, the various contending theoretical paradigms have had their ups and downs, leaving a vacuum which still waits to be filled. The question I want to pursue here concerns the extent to which structuralism and dependency analysis can provide a framework for the study of Latin America's present-day predicament, and more generally provide a way out of Latin America's development crisis as well as of the crisis of development theory.¹

1. The rise of monetarism and the consequences

The heyday of ECLA's structuralism was the 1950s to the mid-1960s. It began to lose influence with the exhaustion of the import-substitution industrialization process in the early 1960s, with the later crisis of reformist governments, and above all with the simultaneous challenge at the theoretical and practical levels of the dependency and monetarist critiques and the new development path pioneered by Brazil.

The significance of the 1964 Brazilian coup lies not only in the political blow it dealt to a populist reformist government, but distinctive nature of the military government which took over. It initiated a new development project which has variously been called 'bureaucratic authoritarianism', 'savage capitalism', 'sub-imperialism', 'state capitalism', the 'Brazilian miracle', and so on. This new Brazilian development strategy, based on a triple alliance between state capital, transnational enterprises and the local bourgeoisie, combined orthodox monetary policies with decisive state intervention and widespread political repression.² Foreign investment was encourag-

ed and public corporations were given a key role in the economy. By overcoming Brazil's stagnation and exhaustion of the import-substitution industrialization process, this strategy challenged the structuralists' development path as it was achieved not via democratization of society, but by an authoritarian military regime. It threw overboard ECLA's reasoning that industrialization, with its concomitant growth of the middle class and skilled labour force, would enhance the democratization of society, and that these two processes were mutually reinforcing.

By following an 'income concentration with growth strategy' which achieved unprecedented high growth rates, the Brazilian military regime also overturned the structuralists' redistribution-with-growth strategy and the stagnationist thesis. Although Brazil did not reverse the import-substitution industrialization process (as the neo-monetarist model later did in some Latin American countries), it overcame the impasse reached by this process through a different route from that recommended by structuralists. Instead of widening the internal market through income redistribution and agrarian reform, the military government's policy was based on further income concentration as well as land concentration and proletarianization of the peasantry. A solution was also found to the problem of capital accumulation which combined a drastic process of 'primitive accumulation' with remarkable increases in productivity. Most, if not all, the increases in labour productivity were appropriated by capitalists and were not transformed into higher wages. The Brazilian military did not share ECLA's export pessimism, nor did a possible deterioration in the commodity terms of trade deter them from boosting traditional exports. However, the military government also eased the foreign-exchange constraint by pursuing a vigorous export drive in manufactures. This was a qualitatively new situation.

The implications of the challenge posed by the Brazilian model to structuralist and dependency theory were not fully appreciated at the time, especially as the development strategies pursued by some other Latin American countries continued to give encouragement. Political developments in Peru and Chile, for example, lent support to the structuralist-dependency model - one through a reformist military regime and the other through a democratically elected socialist coalition.

In Peru from 1968 to 1975, General Velasco's progressive military government drew inspiration from ECLA's development model in designing its own strategy.³ The import-substitution industrialization process was enhanced through a variety of protectionist and state-interventionist measures. Many public enterprises were created (some by expropriating foreign companies), a comprehensive agrarian reform was set in motion, national and regional planning offices established and development plans elaborated, and a variety of worker's participation schemes and worker and co-operative enterprises introduced.

Even before its overthrow in a bloodless military coup led by General Morales Bermúdez in 1975, the Velasquista project had begun to run out of steam. Morales Bermúdez inaugurated the so-called 'second phase of the revolution' which finally buried whatever revolutionary impulse might have been contained in Velasco's 'third road' to the Great Transformation, which was to be neither capitalist nor socialist. Morales Bermúdez's government made further concessions to the local and foreign bourgeoisie and gradually began to follow a mild version of the monetarist model.

More dramatically, in Chile the first democratically elected socialist and Marxist President, Salvador Allende, took office in 1970 on a platform of structural change. Some of Allende's ministers and high officials had previously worked in ECLA or other United Nations agencies, and Allende's policies were clearly influenced by a mixture of structuralist and dependency prescriptions. The copper miners, Chile's symbol of dependence and largest source of export earnings, were nationalized. The agrarian reform process was accelerated and extended. Banks were nationalized, along with many major (and in some instances lesser) industrial enterprises. This process of expropriations was propelled forward by pressure from peasants and workers who, in many instances, took over landed estates and industries, demanding their expropriation.⁴ In the international sphere Allende's government vigorously argued for improved terms of trade for Third World primary exports, a reduction or elimination of protectionist measures by the developed countries, greater controls on foreign capital and transnational corporations - in short, for a new international economic order.

Allende's 'Chilean road to socialism' pursued policies which could be described as combining elements of 'redistribution with growth', 'basic needs', and 'self-reliance'. The Chilean experiment was viewed and studied with great interest by international development specialists.⁵ Through redistribution of income the Allende government hoped to give a new boost to the import-substitution industrialization process, which was redirected from luxury goods to the production of mass consumer goods. This redirection of import substitution aimed to stimulate medium and smaller enterprises which uses less capitalintensive technologies, thereby enhancing employment opportunities and saving foreign exchanges. Politically, it was designed to win over or neutralize the petty and medium bourgeoisies. Thus, it was hoped that this new import-substitution industrialization model would overcome the market, employment, and foreign exchange constraints of the old 'exhausted' process.

During the first year the economy expanded, wages rose substantially, unemployment was reduced to an all-time low, and inflation was brought under control. However, problems mounted during the second year. Economic growth faltered owing to difficulties in financing investment, among other reasons. Private investment fell dramatically and public investment was unable to bridge the gap. Rents and monopoly profits of the expropriated enterprises turned out to be far less than expected. On the one hand, these surpluses had been grossly overestimated for political reasons and, on the other hand, wage increases and disruptions in production arising from take-overs made substantial inroads into them.

The financing of the Chilean road to socialism was not made easier by the boycott of the IMF, the World Bank, and the international banking community. Moreover, the socialist bloc's commitment or ability to finance this experiment was limited. Thus, the government increasingly resorted to deficit financing to avoid investment falling further. The rise in social expenditure (health, housing, education, and social security), the compensations paid to some expropriated owners, the withering of the economic surplus of state enterprises, the food subsidies, the highly overvalued local currency, and other factors further multiplied the fiscal deficit. Inflation escalated into three-digit figures and the economy became unmanageable. On the one hand, the

inordinate growth in government expenditure and the steep rise in wages led to excessive demand. On the other hand, insufficient investment, foreign exchange shortages, and the political turmoil led to a fall in production. In the end neither redistribution nor growth could be sustained.

With the demise of the 'Chilean Road to Socialism' and Perú's 'Third Road', monetarism became the rising star, not only in Chile and Peru but in most of Latin America. This had profound consequences for structuralism and dependency theory but also for development theory in general. In many countries, the class forces supporting monetarist neo-conservative market policies gained the upper hand by capturing the state. However, the neo-monetarist (often referred to as neo-conservative or neo-liberal) policies implemented in various Latin American countries from the mid-1970s to the early 1980s have also failed, opening a space for alternative projects.⁶ The main heritage of neo-monetarism is the daunting debt problem, and increased levels of poverty, inequality, and unemployment.⁷ Neo-conservative monetarist theory in its extremism and globalism overlooks the structural peculiarities of individual countries and this has contributed to its failure. Its birth was marked by a profound antagonism to structuralist and dependency theory. To the developmentalist, statist, and national autonomy concerns of structuralism and dependency, it counterposed a view of international monetarism, free markets, and anti-statism.

Neo-monetarist policies can be seen as a reaction against the previous decades of import-substitution industrialization and the rising importance of the state in the economic affairs of those countries which had pursued an inward-directed development strategy.⁸ The neo-liberals thus proceeded to dismantle the array of protectionist and interventionist measures which had been built up since the 1930s. In some ways their policies were the mirror image of those advocated by structuralists and dependentistas, in particular. Neo-liberals sought the complete integration of the national economies into the international economy by removing barriers on trade and capital flows. Thus, resource allocation was ultimately to be governed by international prices and comparative advantages. The rhythm and direction of development was to be determined by international market forces and not by government intervention. In the structuralists' terminology, the neo-liberals were pursuing an outward-directed development model.

There is an urgent need to find alternatives to neo-conservatism. Given the failure of neo-monetarist economic policies in most Latin American countries, especially those where they were introduced more radically - i.e. the Southern Cone countries of Chile, Argentina, and Uruguay - there are sound economic reasons for considering some new structuralist or dependency-inspired development strategies. The only success achieved by neo-monetarism has been a significant and, in some countries, spectacular growth in exports. However, the policies underpinning this success have also led to a dramatic rise in the foreign debt, which has more than cancelled out the rise in exports. The net effect has thereby been a marked deterioration in the foreign exchange balance to the extent that the debt problem has become the central economic problem in most Latin American countries today. As for inflation, one of the neo-monetarist's main policy objectives, after some initial success - in some instances inflation fell from three to two digits - inflation later began to accelerate.⁹

More importantly, neo-conservative policies have led to de-industrialization, unemployment, income inequalities, and poverty. There have been brief spurts of economic growth but as a result of greater income inequalities poverty has risen. Whatever growth has taken place has benefited only a minority of the population. Neo-liberal policies also greatly increased the vulnerability of a country's economy to changing external conditions. Thus, the international recession in the early 1980s led to a drastic fall in output and its overall effects on the Latin American economies have been worse than that of the 1930s. Per capita incomes have fallen, in some instances to below those which existed when the neo-monetarist policies were first introduced a decade earlier. The per capita gross national income of Latin America fell by 14 per cent between 1980 and 1985, and in the Southern Cone countries the drop was roughly twice as much.¹⁰

The debt crisis has certainly contributed to the discrediting of neo-monetarist policies in Latin America. Too much internal financial liberalization led to capital flight, speculative investment, and an enormous inflow of foreign capital (largely loans) which for a time created a false bonanza. When the bubble finally burst, the state rescued many private banks from collapse and, ironically, nationalized some as a way of ensuring their survival. Thus, neo-conservative governments bailed out bankrupt financial institutions so as not to antagonize national and international finance capital. The repressive measures against labour and the bail-out of finance capital illustrate the class nature of neo-monetarist governments.¹¹ The collapse of many industries and rising unemployment resulting from the over-rapid and drastic reduction in protectionism have also contributed to the disrepute of neo-monetarism.

There are also strong political reasons in favour of some form of structuralist or dependency-type policies. The implementation of the neo-monetarist model took place within a context of military-authoritarian governments which had overthrown elected democratic governments. Indeed, in some Latin American countries, particularly those with strong trade unions and left-wing political parties, neo-conservative policies could only be implemented under repressive circumstances. Paradoxically economic liberalism has often been achieved through political anti-liberalism. (This does not mean to say that some elected governments in Latin America have not followed the trend and pursued some variant of neo-monetarism, although in a less extreme and more gradual manner.) A key component of the neo-monetarist model is the reduction of wages so as to bring down production costs and thereby prices. This would help to slow down inflation as well as allowing some industries to remain competitive in the face of the dismantling of protectionist measures. Although neo-monetarist governments profess to let market forces reassert themselves in the economy, they clearly intervened in the labour market. In many countries this intervention meant a series of repressive measures such as the curtailment or outlawing of union activities, obstacles to or prohibition of strikes, and the persecution, imprisonment, and 'disappearance' of activists. Thus, some authors have labelled this type of neo-monetarism as 'repressive monetarism'¹² or 'militant monetarism'.¹³ In addition, the limited welfare state, which had been built up during the populist and developmentalist era, has largely been dismantled leaving no safety net for the poor.

Thus, repressive monetarism has severely damaged the social fabric of society and encouraged rampant and materialistic individualism. As a consequence the increasing and vociferous demand for civil liberties, human, and democratic rights has become associated with the overthrow of the military regimes and their neo-monetarist policies. Where military dictatorships have given way to civilian governments (for example, Brazil, Argentina, and Uruguay), the opportunity arises for new variants of structuralist and dependency policies to be formulated. The possibility that a reformulated neo-monetarism, adapted to democratic circumstances, might emerge has also to be borne in mind. At the time of writing, the outcome of these democratic experiences is uncertain.

2. Shortcomings of structuralism and dependency analysis

These varying development experiences continually challenge established theories, leading to their revision or abandonment, and to the emergence of new theories. As mentioned earlier, the structuralist and dependency approaches need to be revised in the light of past experiences and new economic and social circumstances. Some major issues which need to be reconsidered are set out below.

2.1. *First, the structuralists' and dependentistas' central emphasis on the deterioration of the terms of trade and unequal exchange respectively needs to be cast in a new light.* The structuralists' almost obsessive preoccupation with the terms of trade conveys the image that poverty and underdevelopment are essentially due to the periphery's exploitation by the centre. This detracts from the fundamental issue of development and underdevelopment, which is the class struggle within each society, and it fails to draw some key lessons from the historical experience of those countries which managed to grow successfully over long periods of time.

Unequal exchange, by transferring part of the economic surplus generated in the periphery to the centre, undoubtedly diminishes the periphery's capacity for capital accumulation and growth. However, a country's development has as much to do with its ability to generate, as to retain, its surplus, and this is largely determined by its internal mode of production. A country's socio-economic formation is, in turn, the outcome of a complex interaction between economic, social, and political factors within which the class struggle assumes a major significance. By locating exploitation solely at the level between nations these analyses detract from the fact that exploitation is a class phenomenon. This primacy of relations between nations goes some way towards explaining why class is a category which is practically absent in structuralist thought and is not given a crucial place within dependency studies. As structuralists want to reform rather than overthrow the capitalist system they are unwilling to recognize the class nature of exploitation.

There is growing recognition that not all the Third World's problems stem from outside. Imperialism, unfavourable terms of trade, foreign capital, or transnational corporations are no longer uniquely blamed for all the ills besetting the Third World. Policy-makers in the Third World are increasingly learning that they can change internal policies so as to minimize negative effects, as well as exploit new opportunities

which might arise from changing international circumstances.¹⁴ The view on transnationals is also changing, as some Third World countries have negotiated improved deals from them and value their superior technological and marketing skills or power.¹⁵ Even some socialist countries are beginning to establish links with transnationals. Warren's¹⁶ trenchant critique of dependency's nationalism, the rapid industrialization of the East Asian countries, and the growing economic links of the socialist countries with the developed capitalist world, all require that structuralists' and dependentistas' rethink their position on the world economy and foreign capital.

2.2. *Second, Frank's influential thesis, that the development of the centre countries is due to the exploitation of the peripheral countries and that the underdevelopment of the peripheral countries is due to the development of the centre countries, has to be abandoned.* Recent historical research has shown that the development of the centre countries was above all due to the internal creation, appropriation and use of the surplus and had less to do with the pillage or exploitation of the peripheral countries.¹⁷ Thus, for example, the international trade between Europe and the Third World accounted for roughly 1 per cent and 3 per cent of Europe's gross domestic product (GDP) in 1830 and 1910 respectively.¹⁸ The reasons for the successful development of the now advanced countries have to be sought principally in the particular economic, social, and political institutional framework which they created and which was amenable to capital accumulation and innovation. This is not to deny that an economic surplus was transferred from the less- to the more-developed countries and that this facilitated the development of the latter and created problems for the former.

What is being argued is that development and underdevelopment are primarily rooted in social relations of production and, thus, in class relations and not in relations of exchange. In Brenner's view, "it was the class structure through which export production was carried out (based on ultra-exploitation/methods of absolute surplus labour) which determined that increasing export production would lead to underdevelopment rather than development".¹⁹ For this reason the main flaw of the structuralist centre-periphery paradigm (and to a certain extent of some dependency writers) is its lack of class analysis. Those analyses which essentially focus on exchange relations between nations tend to underemphasize the internal obstacles to development and overemphasize the external obstacles. In addition, they fail to visualize the creation of more favourable internal and external circumstances or to seize opportunities as they arise. Furthermore, participation in the international division of labour can lead to development, while an autarchic development strategy does not ensure development and can even lead to disaster, as in the case of the Khmer Rouge government under the leadership of the notorious Pol Pot in Kampuchea over the period 1975-8.

In short, the crucial lesson which Third World countries can learn from the developed countries is that the essential condition for development is to undergo certain internal transformations. The type of internal transformation required if development is to be achieved will differ between countries and change according to historical circumstances.

2.3. *Third, the role of the state in development needs to be redefined.* Structuralists and dependentistas have to arrive at a more realistic appreciation of what the state can and cannot or should not do. Structuralists often take the rationality of the state for granted by following the enlightenment ideology. The early writings of ECLA, in particular, reveal an idealized picture of the developmentalist state as a liberating, equalizing, and modernizing force in society. If only the oligarchical state were in the hands of the industrial bourgeoisie and staffed by technocrats and professionals, all would be fine as the state would then become the main force for progress. This enlightened state would implement development programmes whose fruits would be distributed widely through a newly created welfare system.

Dependentistas also had an idealist vision of the socialist state. In this model, the exploited classes, and particularly the industrial proletariat, are to be in the driving-seat - the key problem being how to capture state power. The proletarian state would abolish exploitation and poverty. Through a comprehensive programme of nationalization and planning, a self-reliant and self-sustaining development process would be achieved, and underdevelopment and foreign exploitation would finally be overcome. Today both structuralists and dependentistas hold a more sober view of the role of the state in development and the feasibility of certain development strategies. The performance of the state during the import-substitution period disenchanted many structuralists; but in particular, the authoritarian and repressive role assumed by the state during the recent neo-monetarist phase is leading to a more realistic view of its role.

Guillermo O'Donnell formulated his theory of the bureaucratic-authoritarian state in the wake of the military coups in Brazil in 1964 and in Argentina in 1966.²⁰ The coups in Chile and Uruguay in 1973, two Latin American countries with the longest record of continuous democratic government, lend further support to this theory. In his thesis O'Donnell tried to come to grips with the new nature of the state and provides a theory of the state which is missing from the structuralist literature. He argued that the era of the populist-democratic state based on a multi-class coalition between the industrial bourgeoisie, the middle classes, and sectors of the working class had come to an end.

O'Donnell's model of politics was strongly determined by economic factors, as he saw a close correspondence between the rise and fall of the populist state and the various stages of the import-substitution process. During the 'easy' phase of import-substitution the industrial bourgeoisie came to power. Rapid industrial expansion enabled new social sectors to be incorporated into the state. This 'easy phase' of import substitution was based on the production of basic consumer goods (such as textiles) which could and did reach wider sectors of society.

However, once the import-substitution process moved into the production of durable consumer goods (such as cars) which catered for upper income-groups and intermediate and capital goods (such as chemicals, steel, and machinery), the process of capital accumulation changed. This capital-deepening import substitution called for increased income concentration to expand the market for this type of product and to obtain the increased finance, via the higher propensity of the high income groups to save. Thus, contrary to the structuralists' predictions, the moderni-

zation process led to the establishment of a bureaucratic-authoritarian state which underpinned high concentration of income as well as widespread restructuring of the economy and society in favour of capitalist interests.²¹

Dependentistas have also become disenchanted (if they were not already) with the nature of the state in the contemporary (or so-called actually existing) socialist societies of Eastern Europe and elsewhere.²² The state is far from withering away in these societies, as originally conceived by Marx, although the present political changes and economic reforms (for example, glasnost and perestroika in the Soviet Union) are opening up a greater space for local initiatives. The changes in the post-Mao era in China have been more drastic. Whether these herald a new phase in the transition to socialism or a new variant of capitalism only time will tell. Even the Cuban revolution, which many dependentistas saw as an example of how to break with underdevelopment and dependence, has not fully lived up to its original promise. The task of diversifying the economy and achieving a degree of self-reliance is a task which has turned out to be far more difficult and complex than originally envisaged. Even a committed revolutionary government in full control of the state cannot rapidly overcome dependence. Furthermore, centralized planning, while responsible for many achievements in Cuba, reveals its shortcomings, as the economy becomes more intricate and can even become an obstacle to further development. In such a situation economic reforms are called for which enhance decentralized planning, give greater authority to local enterprises, encourage participation from the bottom up, and provide a bigger role for the market. While the Cuban government has made some attempts since the mid-1970s to move in that direction, these have not gone far enough and are punctured with partial reversals like the recent 'process of rectification'.²³

Thus, far greater recognition needs to be given to the limitations of the state in overcoming underdevelopment and dependence and to the pervasiveness of such a state of affairs. Furthermore, more attention needs to be paid to the relationship between state interventions and market mechanisms in development in both capitalist and socialist countries.²⁴

2.4. *Fourth, the constraints and costs of a revolution have also to be considered more carefully.* Revolutions certainly do not come on the cheap! An old order is destroyed, the new order takes time to bear fruit and often fails to deliver the goods, let alone live up to its original promises. While the Bolivian bourgeois revolution of 1952 can be judged a failure, the Cuban socialist revolution of 1959 can be considered a partial success. Despite the nationalization of the tin mines and the agrarian reform, the Bolivian workers and peasants have secured few permanent gains with the revolution, although at the time they managed to extract some short-lived benefits. The main organizations involved in the seizure of power were the alliance between the middle-class MNR (Movimiento Nacionalista Revolucionario) and the Trotskyist POR (Partido Obrero Revolucionario). Once in power the MNR opted 'for state-guided development within the international capitalist system, but failed in the event to achieve any reasonable degree of sound economic growth'.²⁵ The MNR resorted to repression in order to impose this option and also to prevent a

possible challenge from the organized working class which might have radicalized the revolution.

As revolutions differ they tend to make new (and sometimes old) mistakes. The Cuban government, for example, under the influence of ECLA's structuralism, launched an import-substitution industrialization drive in the early 1960s which soon had to be abandoned as the country did not possess the necessary infrastructure, raw materials, and technology. In turn, the target to export 10 million tons of sugar in 1970 was an overambitious goal which put a severe strain on other economic sectors, jeopardized the political support for the revolution, and undermined the moral basis for future mobilization of voluntary labour. The vast mobilization of this unpaid labour was poorly organized and led to much waste and inefficiency. However, the Cuban revolutionary leadership did not make the mistake of the Soviet Union of squeezing the peasantry, nor of imposing a Stalinist collectivization process upon the peasantry which would have alienated their support.²⁶

In the case of Nicaragua, external aggression has diverted scarce economic resources and human manpower to fighting a war which has put severe strains on the economy. While US intervention has much to answer for the difficulties facing Nicaragua some problems are self-made, aggravating an already precarious situation. Thus, for example, the economic policy pursued before 1985 led to significant inefficiency in resource allocation and stimulated a 'parasitic economy' and the black market.²⁷ In addition, the initial emphasis on export agriculture jeopardized food security and endangered peasant support to the Sandinista government, requiring a reorientation in development strategy.²⁸ In 1985 the government radically redirected its agrarian policy from the previous emphasis on state, co-operative, and some large-scale private export-agriculture towards favouring small and medium individual peasant production geared towards food production.²⁹

In short, revolutions, while solving some problems, at the same time create new ones. The question remains as to which development policies should be pursued by those Third World governments intent on initiating a process of transition to socialism. There is also the question of where the line should be drawn so as to ensure the survival of the revolution as well as avoiding compromising its socialist character. Given today's increasingly interdependent world, most small peripheral countries simply cannot afford to disengage from the international capitalist system despite the misgivings they might have about it. Opting out of this system might increase the costs of the process of transition even further. A process of transition thus often entails changing alliances and concessions both internally and externally. The literature on these issues is still sparse and often too general to be of direct assistance to those Third World countries faced with such dilemmas in their quest for a socialist development.³⁰

2.5. Fifth, structuralist and dependency analysis needs to give a more explicit commitment to civil society, especially in view of the recent traumatic experience of the Authoritarian state in Latin America. It is necessary for civil society to strengthen the ability of exploited groups to organize and express their needs so as to influence and shape development processes as well as to resist further repression and

exploitation.³¹ New social movements, such as anti-authoritarian, religious, ethnic, feminist, regional, anti-institutional, and ecological movements, are emerging in Latin America.³² These differ from the old class-based movements, and politicians and social scientists can only ignore them at their peril. Furthermore, the spread of non-governmental organizations is a testimony to the crisis of the state as well as an expression of civil society's need of and desire for alternative forms of institutional representation.

In both structuralism and dependencia there is a need to rediscover civil society, to present proposals for strengthening the social participation and the social organizations of the weak, the voiceless, the oppressed, and the poor. It is also imperative to give greater recognition to the importance of cultural and ideological elements in the mobilization of society for development, the institutionalization of change, and the achievement of social cohesion and integration. In recent years ethnic and gender divisions have surfaced with renewed force, and the development literature is bereft of ideas regarding how best to deal with these issues and propose policies for overcoming the exploitation of ethnic groups, women, and what are often called 'minorities'.

2.6. Sixth, structuralist and dependency analysts have to undertake more studies of the smaller or micro units of a country. These micro studies have, of course, to be linked to the global or macro national and international theories. Dependency studies have a tendency to distort historical processes or to neglect the particular in their attempts to generalize. The specificities of certain experiences are simply abstracted away so as to conform to the general model and many small, but by no means insignificant, incidents are simply not recorded. It is often the distinct and unassuming small events which give diversity and richness to a theory. More importantly it leads to better theory, especially compared with those which are prone to dogmatic and unidimensional tendencies.

In this sense structuralist and dependency analysis would greatly benefit from studies on the development of local markets and their linkages with national and international markets; and investigations into the varied ways and means by which production is organized and the surplus is created in non-capitalist and capitalist enterprises, on estates and subsistence farms, and on foreign and national units. Research also needs to be undertaken into the varied processes of class formation and exploitation which are sensitive to the ethnic, gender, and cultural dimensions; and into the local forms of domination and political control, such as caciquismo and patron-client relationships.

2.7. Seventh, and last but not least, structuralist and dependency writers have to consider the possibility and feasibility of a variety of styles and paths of development. It is only at a very high level of abstraction and simplification that dichotomies such as capitalism and socialism are valid. Thus, for example, for Dos Santos the vital dilemma facing Latin America was fascism or socialism, and dependence or revolution.³³ Similarly, for Frank, the choice lay between capitalist underdevelopment or socialist revolution (and development).³⁴ Structuralists, in a less dramatic fashion,

spoke of outward- and inward-directed development paths. The former was considered as perpetuating underdevelopment and non-democratic forms of government, where this was already the case, and the latter as leading to development and democratization. However, not all authors thought in terms of dichotomies. Structuralists like Sunkel and Paz, and dependentistas like Bamber and, above all, Cardoso and Faletto envisage multiple paths of development, although referring to Latin America's past and within a process of capitalist transformation.³⁵

A variety of development models have been pursued in the last few decades in Latin America but, with the exception of Cuba and Brazil, most have not endured. What these different cases show is that within both socialism and capitalism there are a variety of styles of development. This means that no rigid path or dogma needs to be followed and that it is possible to respond imaginatively to changing circumstances and new problems. This variety of roads of development has to be acknowledged by all development theories. Development theory needs to overcome its Eurocentrism or, more precisely, 'Centrecentrism', and give greater weight to the experiences of and theories from the Third World. The development experience of the centre countries is far too often viewed as the model which the peripheral countries should follow; but historical experiences can never be repeated, as circumstances in each country differ and the international context changes constantly. This is even truer today owing to the higher and increasing levels of interdependence, which limits certain options but opens others. This interdependence is, of course, asymmetric: for example, only six developed countries, which have only a tenth of world population, control two-thirds of world trade.³⁶ Thus, a few developed countries obviously call the shots and it would be foolish to pretend otherwise.

Usually it is the centre capitalist paradigm which prevails in a distorted form to suit neoclassical or monetarist ideologies. However, dependency analysis, while rejecting the capitalist model, has in turn idealized certain aspects of Marxian economics and the Soviet-type development model. A key aspect of the dependency situation for dependentistas is the absence or rudimentary nature of the capital-goods sector, or department I in Marxist terminology. They therefore advocate the development of a capital-goods sector, which they regard as not only a necessary but even a sufficient condition for achieving self-sustaining and autocentric development. The question immediately arises as to whether it is advisable or indeed possible for all Third World countries to develop their own capital-goods sectors. It is fairly evident that the answer has to be in the negative. Dependentistas might agree that in small and sparsely populated countries it makes no sense to develop a capital-goods sector. The problem is that dependency writers do not specify under what conditions it makes sense to develop a capital-goods sector, how this could be done, and what the consequences are of so doing. The establishment of capital-goods sector might only be possible by drastically raising the rate of capital accumulation. This in turn could lead those countries to adopt some sort of capitalist or socialist primitive capital accumulation measures.³⁷ Few dependentistas would suggest such policies, especially in view of the consequences of Brazil's 'savage capitalism' and Stalin's collectivization, even though it is a logical consequence of their position which transforms the development of a capital-goods sector into a sine qua non condition

for breaking with dependence.

Furthermore, the question arises as to whether an indigenous comprehensive capital-goods sector is necessary in today's interdependent world where it is relatively easy to purchase much of the advanced technology at relatively competitive prices. Thus, in today's conditions it is possible for a country to become an industrial exporter without developing the full range of capital-goods industries. Nor is the establishment of a capital-goods sector any guarantee that the country will achieve or retain technological dynamism, i.e. the capacity to revolutionize continually technology itself. In this respect the development experience of Soviet-type economies is illustrative. As the industrial sector becomes more complex and mature, and consumers more sophisticated, the centrally planned economies find it difficult to respond. The Soviet-type economies begin to lose their dynamism despite (or because of) the predominance of the capital-goods sector. Thus, even the existence of a large capital-goods sector is by no means a guarantee of sustained development. Finally, it could be argued that the development of a capital-goods sector in itself might not be a sufficient condition for achieving non-dependent development or symmetric interdependence. These are issues which still need to be explored by dependentistas.

Besides examining a variety of styles of development neo-structuralists and neo-dependentistas should include more specific macroeconomic models so as to achieve compatibility and dynamic equilibrium in the economy as well as more specific designs of short-term policies.³⁸ The neo-dependentistas will also have to grapple with the problems of actually existing socialism. They will have much to learn from the difficulties which countries like China and Cuba have faced in their processes of transition.

(To be concluded)

NOTES

This is a slightly revised version of a chapter which originally appeared in Cristóbal Kay, *Latin American Theories of Development and Underdevelopment*, Routledge, London and New York 1989.

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