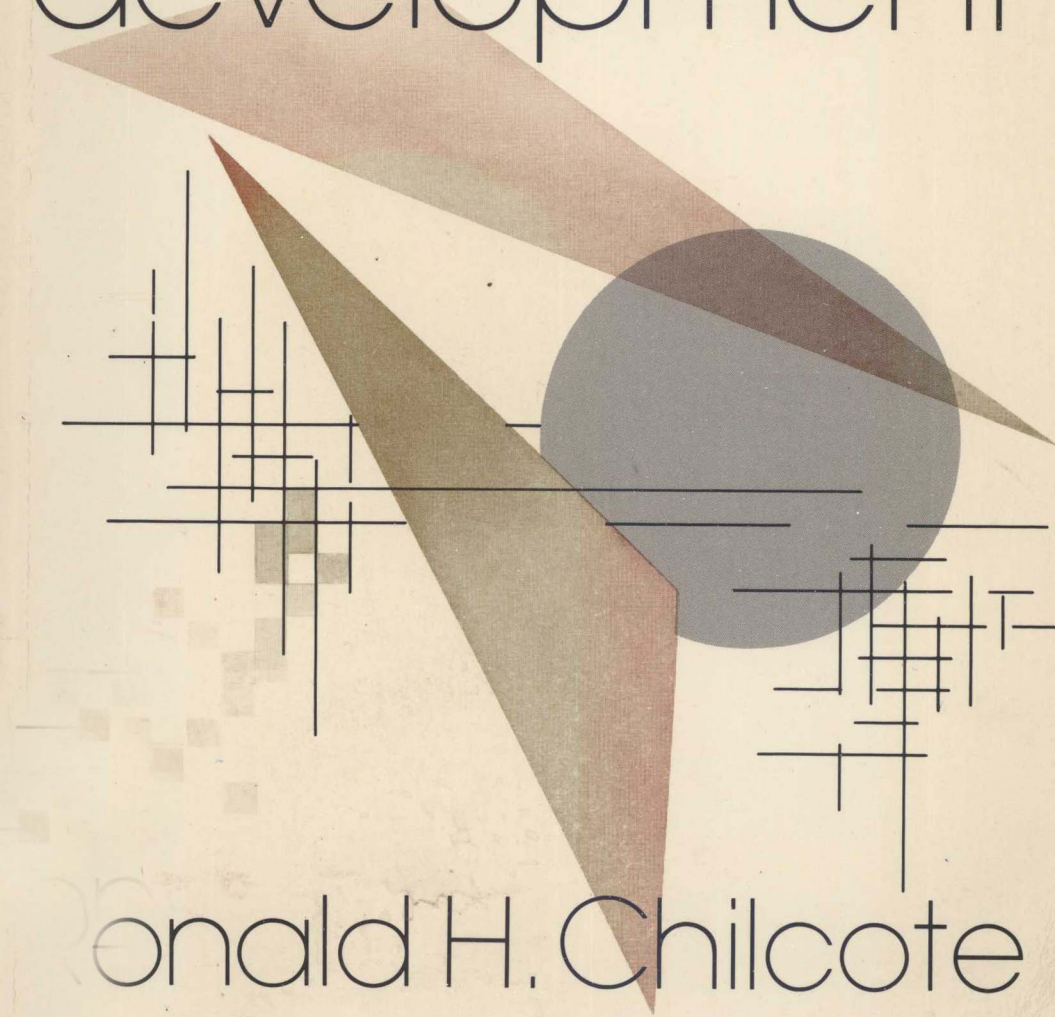
Theories of Development and Underdevelopment



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Preface

This book has evolved through a process of interaction with students and colleagues. A variety of courses and classroom experiences stimulated me to write several journal articles on questions of underdevelopment and dependency, and I also benefited from the intense debates over the notion of dependency in the journal *Latin American Perspectives.* Interaction with my fellow editors of this journal and with undergraduate and graduate students helped me to become familiar with the various positions, to distinguish between reformist and revolutionary lines of thinking, to comprehend Marxist as well as non-Marxist theory, and to find my way through the amorphous literature. These experiences made it possible for me to move forward quickly into a penetrating look at the field. I decided to prepare a series of formal lectures for presentation in undergraduate courses. Rough drafts of notes, based on some ten to fifteen hours of research and writing, were prepared for each of seventeen topics. After each lecture, these notes were revised and immediately typed on a word processor, and a copy was placed on reserve in my university library. Students were asked to write comments on them and prepare for discussion and review. With this input I turned to further revision and preparation of a draft that consolidated the seventeen topics into six chapters. In this process I presented the material to nine students in my graduate course on comparative politics. These students divided into three groups and devoted six weeks to reviewing and critically assessing my manuscript. Their feedback, suggestions, and criticisms were taken into account in a third draft. After receiving comments from several colleagues, a final draft was prepared for publication.

This book is the product of an exhausting, yet exhilarating, experience. It is especially gratifying to have been able to combine research and writing with classroom teaching and learning and to end a long process of debate and interaction with the publication of material that should be useful to both scholars and students.

It would be impossible to identify and acknowledge all the persons associated with this work, but I must mention some of them. In particular, I am grateful for the involvement of a number of graduate students: Lisa Durán, Dwight Hahn, Stylianos Hadjiyannis, Dariush Haghighat, Mal Hyman, Ibrahim Osman, Claudia Pompan, Gerry Riposa,

Vicki Fedor-Thurman, Mohamed Wader, Jim Watson, and Russell White. Their contributions were substantial. I also benefited from the reading and suggestions of Professor James Dietz of California State University, Fullerton, and Barbara Metzger of Laguna Beach. The copyediting of Megan L. Schoeck of Westview Press was especially helpful. I received some support from the Department of Political Science, University of California, Riverside, thanks to Donna Cooney, who facilitated typing assistance and use of a word processor. Cheryl Mendonsa typed part of the first draft and made it available for student use in the library. Susan Gregory typed the remainder of the manuscript and with Debbe Webster incorporated the later revisions. Their help was invaluable. Two small grants from my campus provided funds for some of the typing.

Ronald H. Chilcote

Introduction

This work confronts a dilemma on two levels. On the one hand, scholars and teachers are faced with a massive amount of literature on development and underdevelopment. Generally, the literature makes no attempt to take us back to original ideas and conceptions or to identify the politics and particular positions of the major writers on the subject. The result is widespread confusion and a tendency to reject or accept ideas somewhat indiscriminately. This book attempts to solve this problem. On the other hand, given that the literature is diverse and often obscure, students often find the task of making sense of development and underdevelopment overwhelming. Thus, this book is for students as well as for scholars and teachers.

For nearly two decades I have been teaching two courses, one on politics and development, the other on politics and underdevelopment. Originally, a single course followed in the path of Gabriel Almond and James S. Coleman's pioneering *Politics of Developing Areas* (1960). After the Second World War, the attention of comparativists turned from the advanced world of Europe and the United States to backward and presumably developing areas. It was immediately clear that not very much was known about these areas, for they had been little studied.

The social scientists who met with Almond and Coleman determined that a structural-functional approach focusing not only on institutions and processes of government but also on political parties, interest groups, and other less-defined entities and forces would allow for identification of gaps in knowledge and stimulate new investigation. Students found that approach very unsatisfactory, for it attempted to structure categories of knowledge about such various areas of the Third World as Africa, Asia, and Latin America.

The students' negative reaction resulted in a shift in the content of my course. I turned to the political manifestations and theories of Third World leaders, usually revolutionaries but sometimes reformist politicians willing to work for a moderate change of their political systems. In Africa, Asia, and Latin America, there were demands for change. Kwame Nkrumah and Fidel Castro, for example, were revolutionary leaders who inspired their own people to seek change, and their thought appealed to my students.

Eventually it became clear that, along with the practical experience of the Third World, the various theories of development and underdevelopment had to be examined and understood. During the late sixties and early seventies, I introduced my students to theories of dependency and underdevelopment and to case studies of various situations in Africa and Latin America. I also made use of some innovative techniques designed to stimulate learning and involvement in the classroom; in particular, students critically examined opposing perspectives of development, then they were encouraged to formulate a personal position on essential issues and to build support for their stance (Chilcote, Gorman, LeRoy, and Sheehan 1975).

More recently, I began to encourage them to take a closer look at these theories. First, I considered it essential for them to identify and study the ideas of the classical writers, especially Marx, who wrote about the devastating impact of British capital on India and Ireland, but also Lenin, who emphasized capitalist development in Russia and monopoly capitalism as the highest stage of imperialism, and Trotsky, who called for permanent revolution among backward and advanced nations throughout the world and advocated a theory of uneven and combined development.

Second, I wanted students to examine the origins of contemporary thinking. In particular, this examination necessitated a review of writers whose ideas on underdevelopment first became known after the Second World War. Most critical assessments of the literature have taken us back to Raúl Prebisch, who formulated the early division of the world into center and periphery and sought solutions to the negative consequences of capitalist penetration in Latin America. Prebisch and the Economic Commission for Latin America advocated autonomous capitalist development through measures that would stem the impact of outside investment. Celso Furtado and Osvaldo Sunkel followed in this direction, and Pablo González Casanova and Fernando Henrique Cardoso used the center-periphery formulation in their own unique and imaginative views, respectively known as internal colonialism and dependent capitalist development. All these writers were associated with capitalism and the reformist tradition.

Ideas centered around socialism and what I characterize as the revolutionary tradition evolved at about the same time. Silvio Frondizi, Sergio Bagú, and Caio Prado Júnior all offered perspectives on the negative consequences of capitalism. They argued that capitalism had implanted itself in Latin America since the sixteenth century and was responsible for the poverty and exploitation so evident there today. They favored the overthrow of capitalism and the establishment of socialism as the means for overcoming backwardness in their countries.

Their writing provided a basis for ideas such as the new dependency of Theotonio dos Santos, the subimperialism of Ruy Mauro Marini, and the imperialism and dependency of Aníbal Quijano. Many of these ideas were incorporated in the thought of such Trotskyists as Luis Vitale and Ernest Mandel.

The revolutionary thrust also appeared in the writings of Paul Baran and André Gunder Frank, who emphasized trade and markets within the capitalist world to explain how capitalism promotes underdevelopment. Although they referred to capitalism in general terms, they were concerned especially with merchant capital and its influence on Third World economies. Immanuel Wallerstein and Samir Amin related merchant capital to the world system, Wallerstein focusing on the origins and evolution of capitalism in Europe and Amin on capitalism in the periphery.

Third, I wanted to help students compare these various lines of thinking. In this effort, I identified the important ideas of each writer and attempted to describe and explain their implications. This book, then, is a critical review and assessment of the literature on development and underdevelopment. Readers will soon discover the complexity of this literature and, I hope, learn how to make sense of the many political positions and methodologies that permeate it. Eventually, by exploring the original sources cited herein, they should be able to find a personal stance, defend it with facts, and perhaps move on to new and productive areas of inquiry.

Contents

1 / The Conceptual Framework

The literature on development and underdevelopment has fascinated scholars and students for more than a generation. The novice must confront thousands of books and journal articles on the subject, representing a myriad of theoretical perspectives and positions. To comprehend this literature, an understanding of certain key concepts is essential. Most explanations of development and underdevelopment refer to the idea of a "third world," a term that is used loosely and variously. It is appropriate, therefore, to begin with a discussion of this term. Other concepts of fundamental importance to our task are capitalism and socialism, state and class, accumulation and reproduction of capital, and development and underdevelopment themselves.

Third World: Myth or Reality?

The plethora of definitions of "third world" suggests that the concept is not very useful theoretically or analytically. One prevailing understanding is linked to the geographical or territorial designation of certain countries in Asia, Africa, and Latin America. Many countries in these areas achieved their independence after the Second World War, and there was a concerted effort, especially on the international diplomatic level, to distinguish them, as newly emerging nations, from those in the capitalist First World and the socialist Second World. This formulation tended to focus on poor people while overlooking the upper strata of poor countries. Thus Venezuela, which has a high per capita income relative to other nations in Latin America, could be described as "emerging" from its backward condition when in fact its poverty is widespread and its wealth is concentrated in a small ruling class whose fortunes are largely a consequence of the petroleum boom. At the same time, Cuba may be considered part of the Third World because of its low per capita income and material standard of living, yet it has no poverty. A geographical designation also tends to overlook poor populations in Hispanic and black America, thereby obscuring Third World social groupings within a First World nation.[1] For this reason, another understanding of "third world," and the one I prefer, emphasizes exploitation and oppression, lack of technology and development, underdevelopment brought about by colonialism and im-

perialism, and dependency upon the dominant capitalist system and outside influences, wherever in the world these occur.

Leslie Wolf-Phillips has attributed the term "third world" to the French demographer and economic historian Alfred Sauvy, who in 1952, at the height of the Cold War, used it to distinguish developing countries outside the two power blocs. Apparently "third world" and "third force" were used interchangeably in France during the period 1947 to 1949.[2] Peter Worsley has alluded to the use of the term by Claude Bourdet as early as April 1949, but Joseph L. Love disputes this possibility and suggests an origin in the "third position" of Juan Perón in 1949 and the general usage of Third World after the Afro-Asian Conference in Bandung in 1955.[3] In the United States, the Committee for the Study of Comparative Politics of the Social Science Research Council began to study the political institutions and processes of the Third World in the late fifties.[4]

Several refinements of the term have been set forth by Third World leaders. African leaders such as Kwame Nkrumah have used Third World in the sense of political nonalignment of a bloc of nations that would stand apart from and help to reconcile the Cold War differences between East and West. Nkrumah mentioned Frantz Fanon, who wrote in *The Wretched of the Earth* (1963) that the people of the Third World saw capitalist exploitation as their enemy and were committed to a noncapitalist road. Nkrumah argued that this path did not imply passivity and an escape from the struggle between the two worlds of capitalism and socialism:

> The world struggle, and the cause of world tension, has to be seen not in the old political context of the cold war, that is, of nation states and power blocs, but in terms of revolutionary and counter-revolutionary peoples. It cuts right across territorial boundaries and has nothing to do with colour or race. It is a war to the finish between the oppressed and the oppressors, between those who pursue a capitalist path and those committed to socialist policies. [Nkrumah 1968, 464]

He concluded that there really are only two worlds, one revolutionary and socialist and the other counterrevolutionary and capitalist with its extensions of imperialism and colonialism. Therefore, Third World is a "misused expression which has come to mean everything and nothing." The Third World cannot be separated from the socialist world but is an integral part of it, committed to the struggle against capitalism to end the exploitation of people (Nkrumah 1968, 465).[5]

Mao Zedong revised the theory of three worlds by classifying the United States and the Soviet Union, both capitalist superpowers, as the first; Japan, Europe, and Canada, all secondary imperialist countries, along with the revisionist countries of Eastern Europe as the second; and the rest of Asia and the whole of Africa and Latin America as the third. Mao viewed the relationships among these worlds as conditioned by the imperialism and hegemony of the two superpowers, the first world exploiting and dominating the third while the second world, also attempting to dominate the third, is in turn subject to the first. Thus, according to Mao, power is the basis for this global differentiation, and given that the Soviet Union represents the greatest threat, the third world, the second world, and the United States should form a united front.[6] Albania, once a close ally of China against the Soviet Union, criticized this model for minimizing the contradiction between imperialism and socialism on a world scale and between the bourgeoisie and the proletariat in advanced capitalist countries. Albania also denied that the imperialist countries of the second world could assume a progressive role and that the United States was any less a danger than the Soviet Union.[7]

By the middle seventies, diplomatic circles were referring to four worlds, and the literature was designating a capitalist world, a socialist world, a third world of developing nations, and a fourth world of poor, powerless, oppressed, and dispossessed countries (see Hamalian and Karl 1976). Grant McCall proposed a variation of these designations by suggesting that the fourth world include minorities within countries of the other worlds.[8] Worsley (1980, 20) points out that some writers have defined as many as nine worlds for analytical purposes.

These models may be helpful in sorting out data and suggesting classifications of the nations of the contemporary world. Models, however, are heuristic devices, which means that they have limited potential for the analysis of a complex world.

Capitalism and Socialism: Distinctions and Issues

In primitive classless societies, everyone participated in the decisions affecting life in the community and relations between the community and the outside world. Living conditions were poor in this collective society, and the people struggled to survive in the face of the forces of nature. One of the first divisions of labor occurred in ancient times with the appearance of towns and professional artisans who engaged in the production of commodities that they exchanged freely and more

or less equally in the market for products they immediately needed. Another division of labor took place with the introduction of money and the appearance of the usurer or merchant specializing in international commerce. In contrast to the more advanced industrial capitalism, merchant capital was an elementary form of capitalism, and it was characterized by social relations whereby the owners of capital appropriated the absolute surplus value produced by workers. Merchant capital was especially conspicuous in Western Europe during the fourteenth to the sixteenth centuries. Modern capitalism is characterized by a clear separation of producers from their means of production and subsistence, the formation of a class that owns and controls these means of production, the bourgeoisie, and the appearance of a class—the proletariat—that owns only its labor and must sell this to the owners of the means of production in order to survive.[9]

Until the late nineteenth century, capitalism was usually characterized by "free" competition, but about that time technology spawned new industries, and capitalists began to form cartels, trusts, and holding companies. A concentration of finance capital (bank capital that penetrates and dominates industry) resulted in a decline of free competitive capitalism and in the growth of monopolies. Lenin (1967) considered finance capital the latest and most highly developed form of capitalism, and he called this state "imperialism." His theory focused on the rapid concentration of production in the large industrial monopolies and the export of capital from advanced nations to less developed parts of the world. Mandel (1975) classified the imperialist era into a classical phase, from the late nineteenth century to the end of the Second World War, and a late phase. Whereas the monopoly was characteristic of the classical phase, the multinational firm was characteristic of the late one.

Socialism implies collective, rather than private, ownership of the major means of production and appropriation of the social surplus product (the production of workers beyond their requirements for subsistence). In the transition period from capitalism to socialism, remnants of capitalism are evident: labor power continues to be sold for wages, some surplus product is appropriated as individual privileges, and a money economy prevails. The new economy may also be managed by bureaucratic elements uncommitted to the principle of political and economic participation by all the people, and private rather than public interest may be a motivating force. The shift from a capitalist mode of production toward a collective mode is apparent only with the overcoming of these tendencies. The struggle for socialism thus involves the replacing of the capitalist state with the workers' state, the substitution of proletarian democracy for bourgeois democracy. The pro-

vision for the basic needs of all the people, usually under a planned economy, becomes a priority. The goals of the socialist society are the creative use of work and leisure and the elimination of a commodity and money economy; inequality, classes, and the state; and alienated labor. The achievement of these goals would lead to communism, a higher stage of socialism.

State and Class

The state evolved as functions performed by all the people in primitive, classless societies were assumed by separate groups of people—for instance, as soldiers, judges, and hereditary rulers took over ordinary citizens' tasks of arming and protecting themselves, judging their equals, and choosing leaders for particular activities. These groups exploited and profited from the work of the people over whom they ruled. Marx and Engels, in *The Communist Manifesto,* implied that the state is the instrument of the ruling classes: The executive of the state "is but a committee for managing the affairs of the whole bourgeoisie" (Marx and Engels 1958, 36). Lenin, in *State and Revolution* (1932), argued that the police and standing army were instruments of state power and that the proletariat had to struggle against the state until it disappeared altogether.

Several variants of these ideas are emphasized in the socialist conception of the capitalist state today. The instrumentalist perspective, found in the writing of the English political scientist Ralph Miliband (for example, 1969), stresses that the state is the instrument of and is manipulated by the ruling classes. The structuralist view of Marxists such as Nicos Poulantzas (1973) emphasizes that the state unifies the interests of the bourgeoisie through such structures or apparatuses as the army, police, and judiciary. In contrast to these socialist views, the prevailing understanding of the state in the mainstream literature of political and social science sees it as a political marketplace through which demands and interests of competing individuals and groups filter. Neutral state agencies mediate and mitigate the conflict that emanates from this arena. The state agencies function as bases of political power and struggle for funding support.[10]

Marx believed that all history was the struggle of classes. Under capitalism, he argued, society would eventually polarize into two principal classes, the bourgeoisie and the proletariat. The bourgeoisie had emerged from the merchant class in towns established during the feudal Middle Ages. Then manufacturing replaced production by closed guilds, and a manufacturing class supplanted the guild masters. Modern

industry soon took the place of this early manufacturing, along with the invention of machinery, the expansion of markets, and the emergence of a new bourgeoisie with control over the economy and the state. As the ruling class, this bourgeoisie owned the means of production and also ruled politically. In Marx's view, the state under capitalism maintains the property relations of the wealthy minority and thus supports the oppression of one class by another. The state does not stand above classes but always rests on the side of the rulers. Thus, ultimately, this state and the ruling class should be abolished.[11]

Max Weber, in contrast, believed that capitalism is essential to the modern world and argued that the state can legitimately use physical force to ensure harmony and order among diverse interests. He understood politics as "striving to share power or striving to influence the distribution of power, either among states or among groups within a state" (Weber 1958, 78). In other words, the dominance of the state ensures the sanctioning of a plurality of interests. In capitalism, through the rational distribution of organizational tasks within the bureaucracy, the state promotes routinization and efficiency. This perception of the state allowed Weber to view class in purely economic terms. For him, a class exists "when (1) a number of people have in common a specific causal component of their life chances, in so far as (2) this component is represented exclusively by economic interests in the possession of goods and opportunities for income, and (3) is represented under the conditions of the commodity or labor markets" (Weber 1958, 181). He saw each class as comprising many status groups, ranked in accordance with relative market advantage. As market demands change, status groups might be rearranged so as to elevate one and lower another. With this understanding of class, Weber could argue that there exists a great variety of class situations and that class consciousness does not necessarily solidify the working class into a revolutionary force.[12]

In summary, one view of class emphasizes inevitable class confrontation and struggle; the other, harmony among diverse interests. One stresses ownership and control of the means of production as an explanation of the domination and exploitation of one class by another, whereas the other sees various status groups competing for power. One sees the state on the side of the ruling class while the other understands it as a mediating and moderating force that ensures stability and order among all classes and groups. My own position, and one that is increasingly becoming acceptable to contemporary social scientists, is that the ruling class is a dominant bourgeoisie in possession of the major means of economic production and political power. This class need not be simply monolithic but may comprise varied interests that tend to become cohesive. A ruling class is an economic class that rules

politically. Usually its monopolization of power is directly related to capitalism and the ownership of the means of production, and it dominates the economy through control over corporations and financial institutions. The ruling class must be considered in relation to the following other classes.[13]

Bourgeoisie. Owners of capital who purchase means of production and labor. They are distinguishable by

1. property relationships, for example, monopolistic bourgeoisie or large owners of industry and banking capital who may have ties with foreign capitalists and imperialism and own factories, insurance companies, banks, and large commercial companies; they may also be large landowners. There is also the *non-monopolistic bourgeoisie*, or owners of certain industrial and commercial firms who are sometimes allied with the monopolistic or foreign bourgeoisie; they may be owners of small industrial and commercial enterprise or middle-sized and small farms; and they tend to be nationalist, sometimes opposed to imperialism.

2. type of capital or means of production possessed: for example, the *agrarian bourgeoisie* of modern landowners who run farms with machinery, pay salaries to workers, and make profits; or traditional landowners who operate large estates, live in cities, and invest little in their land. There also is the *mining bourgeoisie*; the *industrial and commercial bourgeoisie*, usually large owners (sometimes allied with monopolistic or foreign bourgeoisie) but also owners of small enterprise; and the *banking bourgeoisie.*

3. amount of capital owned as differentiated in a *large bourgeoisie, medium bourgeoisie,* or *small bourgeoisie.*

Petty Bourgeoisie. Small capitalists who directly or indirectly control their means of production but, unlike large capitalists, do not possess capital. They may desire to acquire capital or feel oppressed by the bourgeoisie. They may reside in

1. urban areas as *owners* or *tenants* of small artisan industries and businesses or as *independent professionals* (attorneys, some physicians and architects, engineers, artists, writers, teachers, or intelligentsia).
2. rural areas as *sharecroppers, tenant farmers,* etc.