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**THE LATIN AMERICAN CONTRIBUTION
TO DEVELOPMENT THEORY**

Cristóbal Kay
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THE LATIN AMERICAN CONTRIBUTION TO DEVELOPMENT THEORY¹

Cristóbal Kay

Institute of Social Studies, The Hague

1. Introduction

Over a decade ago a series of articles by prominent development theorists started to appear in which the state of development theory was being examined. The general thrust of these articles was that development theory was in crisis. The post-war optimism of the birth of development studies was turning by the late 1970s to a feeling of frustration as for many the discipline had not fulfilled its original promise. One of the initiators of this introspective exercise, the late Dudley Seers (1979: 714), thought that one source for the revitalization of the discipline could be found in the theories emanating from the Third World. Following from Seers, it is my view that the First World bias of development theory contributed to its shortcomings. This bias is evidenced by the failure of development theory to seriously examine and incorporate into its mainstream body the theories from the Third World. There is a growing realization that this First World bias has to be rectified. In recent years a spate of books have been published which examine in a comprehensive and rigorous way some of the theories which have originated from the Third World.² However, I am not arguing that the theories from the Third World offer the solution to the crisis in development theory. Far from it as these theories have problems of their own. But I do believe that a proper appreciation of these theories and, above all, a closer and more balanced interaction between development specialists from the North and the South are necessary for the further development of development studies.

In this paper I only focus on the Latin American contribution to development theory as it is more accessible to me and because I am less familiar with the theories from other Third World regions. The purpose of this paper is to highlight some salient features of the multistranded Latin American development school rather than attempting the difficult task of discussing in which particular ways this school can lead to the reconstruction of development theory. The paper is divided into three sections. In the first section I present the key contributions of the Latin American school to development theory. I then proceed in the second section to examine some of its shortcomings and in the final section analyse its contemporary relevance.

2. Key contributions of the Latin American school

Although a distinctive body of thought which could be labeled "Latin American school of development and underdevelopment" only emerged in the postwar period, one of its origins can be found in the debate between Victor Raúl Haya de la Torre and José Carlos Mariátegui during the late 1920s and early 1930s. This debate sets the scene for the two major strands which can be found within the Latin American school: the structuralist-reformist and the marxist-revolutionary. What unites these two strands is that they both argue against neoclassical and modernization theory and that they define underdevelopment as being the outcome of a process of world capitalist accumulation which continually reproduces both poles of the world system. They argue that underdeveloped countries have peculiarities of their own and for this reason neoclassical and modernization theory have little relevance for understanding this reality, and worse, the policies which are derived from these theories do not address the fundamental problem of underdevelopment and can even aggravate it. The major difference between these two paradigms is that the structuralists think that by reforming the international and national capitalist systems it is possible to overcome underdevelopment. Meanwhile for the Marxist only world socialism can ultimately overcome underdevelopment and the inequalities of the contemporary world capitalist system. As will be seen next, it is this difference which is at the heart of the Haya-Mariátegui controversy.

2.1. Reform or revolution?

This is a key question underlying the discussions of the postwar Latin American development school. The different answers to his question, which were at the centre of the debate between Haya de la Torre and Mariátegui in the late 1920s and early 1930s, defined the two major strands within the Latin American development school.

To start with: what are the common elements? Both Haya and Mariátegui characterized the mode of production in the countryside as feudal or semi-feudal, condemned the landlord class and imperialism for Latin America's underdevelopment, and advocated industrialization. Finally, both agreed that the development process in Latin America differed from the classical European model and that the bourgeoisie in Latin America was unable to perform the progressive role it did in Europe.

In what do they differ? In Haya's view the revolution had to be anti-feudal and anti-imperialist. It could not be a socialist revolution as, in his view, it was not possible to skip the historical stages of development, and thus it was necessary first to develop capitalism fully. This revolution was to be led by the middle class, the proletariat being too small and the peasantry too backward. Haya called for the establishment of an anti-imperialist state which, owing to the weakness of the national bourgeoisie and the strength of the feudal class and imperialism, had to be state-capitalist. However, he recognized some progressive aspects of imperialism (modern technology and industrial capital) and thus the struggle was only against the negative aspects of imperialism (pillage and domination). The objective of the revolution was to achieve Latin America's economic independence and development within capitalism.

Mariátegui can be considered as the first Latin American neo-Marxist who anticipates many of the dependency arguments. He attacked Haya's dualist position by arguing that feudal and capitalist relations are part of one single economic system. Furthermore, imperialist capital is seen as linked to, and profiting from, pre-capitalist relations. Contrary to Haya, Mariátegui saw no scope for the development of an autochthonous or independent national capitalism. In his view the development of capitalism would not eliminate pre-capitalist relations and would only intensify the domination of imperialist monopoly capital. Furthermore, for Mariátegui the socialist revolution could not wait until capitalism had fully developed as argued by Haya. Mariátegui also criticized Haya for undervaluing the revolutionary potential of the peasantry. Additionally, Mariátegui held that the indigenous peasant communities (the ayllu) could constitute the germ of the socialist transformation in the peruvian countryside. Thus, Mariátegui advocated a socialist revolution which would be brought about by a political alliance between workers, peasants, and 'the conscious elements of the middle class' under the leadership of the proletarian party.

While Haya considered that the national bourgeoisie was oppressed externally by imperialism and internally by feudalism and that the struggle for national liberation should therefore take precedence over the class struggle, Mariátegui held the opposite view. Mariátegui argued that the local bourgeoisie was organically linked to imperialism and feudalism and that they jointly oppressed and exploited the urban and rural workers. Thus, the fight for national liberation did not neutralize the class struggle and, on the

contrary, was subordinated to it. Furthermore, the local bourgeoisie was unable to fulfil this task and only the working class could accomplish it.

Mariátegui's pioneering analysis of the Indian issue had a major influence on the theory of internal colonialism (of which more later). He challenged the prevailing view that the 'indigenous question' was a racial and cultural issue instead it was rooted in the land problem. Furthermore, finding a solution to the Indian issue was also necessary for solving the national question. In short, Haya de la Torre and Mariátegui foreshadow some of the central issues of, and debates within, the Latin American development school.

2.2. Structuralism: the centre-periphery paradigm

While various writers developed the structuralist paradigm, Raúl Prebisch's original ideas were pivotal in launching this perspective, whose influence has extended beyond Latin America. The structuralists' perspective is both holistic and historical. The originality of the structuralist paradigm lies in the proposition that the process of development and underdevelopment is a single process, and that the disparities between the centre and periphery are reproduced through international trade. Thus, the periphery's development problems are located within the context of the world economy. It is an historical perspective as structuralists probe into the origins of the integration of Latin American economies into the dominant capitalist system as producers of primary products. CEPAL³ termed this pattern of development in the periphery the 'primary-export model' or 'outward-oriented development model'. The cepalista school strongly advocated an import-substituting industrialization policy which would help peripheral countries to switch to what they termed an 'inward-directed' development process.

The cornerstone of structuralism is the centre-periphery paradigm. This paradigm attempts to explain the unequal nature of the world economic system. It also suggests a series of policies to narrow the gap between countries of the centre and those of the periphery. According to this paradigm the duality in the world economy originated with the industrial revolution in the centre when the possibilities for increasing the productivity of the factors of production rose dramatically. The diffusion of this technical progress was, however, very uneven throughout the world. The centre countries internalized the new technology by developing an industrial capital-goods sector and by spreading the improved technology to all economic sectors. This resulted in the development of an homogeneous and integrated economy. In the periphery, by contrast, new technologies were largely imported and mainly confined to the

primary-commodity-producing export sector. As a consequence, the peripheral economy became both disarticulated and dualist: disarticulated because it had to import the advanced technology from the centre; and dualist because a large gulf in productivity developed between the export and subsistence sectors. A sizeable low-productivity pre-capitalist sector survives in the periphery producing a continuous surplus of labour. This large surplus of labour keeps wages low and prevents the periphery from retaining the fruits of its own technological progress as productivity increases in the export sector are largely transferred to the centre owing to the deterioration of the terms of trade (ECLA, 1951). Thus, in CEPAL's view international trade not only perpetuates the asymmetry between centre and periphery but also deepens it.

The structuralist school also played a prominent part in the ideological current, known as desarrollismo or developmentalism, which swept through most of Latin America from the end of the Second World War until the early 1970s. Desarrollismo regarded the state as the crucial agent for economic, social and political change. When linked to populism, desarrollismo became a powerful, though elusive, political force. Its ideology was anti-feudal, anti-oligarchical, reformist, and technocratic. In today's parlance it proposed a 'redistribution with growth' strategy. The heyday of desarrollismo was in the 1960s when several reformist governments came to power in Latin America and the US launched its New Deal with Latin America known as the Alliance for Progress. Its downfall came with the establishment of military-authoritarian regimes in the Southern Cone in the 1970s and their pursuit of radical monetarist policies of the 'new right' or 'neo-conservatives'.

I now briefly review other aspects of the structuralist school under three headings: the deterioration of the terms of trade, import-substituting industrialization, and the structuralist-monetarist controversy on inflation.

2.2.1 The deterioration of the terms of trade

The assertion that the central and peripheral countries are linked by a series of asymmetric relationships which reproduce the system represented a key departure from the evolutionist and mechanical stage theories of development. Furthermore, CEPAL's thesis on the deterioration of the periphery's terms of trade sought to challenge conventional economic theories of international trade and to question the international division of labour by proposing an import-substituting industrialization strategy for the periphery.

Prebisch's analysis of the deterioration of the terms of trade deals both with demand and supply conditions of commodity markets. I refer only to his supply arguments as these are more typically structuralist. Prebisch is above all concerned with the international redistribution of the 'fruits of technical progress'. Theoretically an increase in productivity can result in either a fall in the price of a commodity where this technical progress has occurred, thereby benefiting the consumers; or in a rise in the payment to factors of production (i.e. wages and profits), thereby benefiting the producers; or in a combination of both. According to Prebisch the existence of trade union power and oligopolies in the centre means that prices have not fallen, or have fallen to a lesser extent than the increase in productivity. Thus, workers and capitalists in the centre are able to gain the fruits of their technical progress via rises in wages and profits. Meanwhile the opposite has happened in the periphery due to the weakness or non-existence of trade unions and the greater competition facing export-producers. However, the main argument put forward by Prebisch to explain the inability of workers to capture a significant part of the increase in productivity is the existence of a large surplus labour force. An additional factor is the low productivity of the pre- and semi-capitalist sectors with their low subsistence incomes and wages which act as a restraint on wage increases in the export sector where most of the productivity increases in the periphery occur.

Prebisch (1959) proposed a variety of policies to counteract the negative tendency of the periphery's terms of trade. He suggested a tax on primary exports and a set of duties on manufacturing imports to help switch resources within the periphery from primary export to industrial activities. He also proposed to allow union activity in the primary export sector to push up wages, to defend primary commodity prices through concerted international action, and to press for the reduction or elimination of protection for primary commodities in the centre. Thus, Prebisch was not against expanding the periphery's exports so long as these helped to reduce its labour surplus and thereby drive up wages and export prices. However, the main thrust of his argument was aimed at changing the periphery's structure of production and developing an industrial sector through a series of measures which would encourage the allocation of additional productive resources to the industrial sector. This would help the periphery to retain its productivity increases.

2.2.2 Import-substituting industrialization

Prebisch favoured the periphery's industrialization because he believed that this would reduce its vulnerability to international economic crises, lead to greater increases in productivity and incomes, and reduce unemployment, thereby removing one of the causes of low wages in the periphery, and avoid further deterioration in its commodity terms of trade. Cepalistas were initially optimistic about the benefits industrialization would bring to the periphery. It was regarded as the panacea which would not only overcome the limitations of the outward-directed development process but would also provide social and political benefits such as enhancing the middle and working classes and democracy.

Notwithstanding, one of the first criticisms to emerge of import-substituting-industrialization policy came from within the CEPAL fold itself. 'CEPAL's Manifesto' (i.e. Prebisch, 1949) had already voiced misgivings about Latin American industrialization, and by the early 1960s CEPAL published a series of critiques of the import-substituting industrialization process. These have often been overlooked by both neoclassical and dependency critiques undertaken in the late 1960s and early 1970s. Structuralists criticized the 'actually existing' import-substitution process as both concentrating and exclusive in that the fruits of technological progress brought about by industrialization were concentrated in the hands of the owners of capital, excluding the majority and exacerbating inequalities in the distribution of income (Pinto, 1965). At the same time this development process failed to absorb the surplus labour. Also this model resulted in 'structural heterogeneity' as differences between economic sectors (such as those between a backward agriculture and a modern capital-intensive industry) and those within economic sectors (such as those between the 'informal' and 'formal' parts of any one economic sector) were exacerbated. Furthermore, it had aggravated the economy's external vulnerability and led to an increasing foreign control of the industrial sector.

2.2.3 The structuralist-monetarist controversy on inflation

During the mid-1950s a group of Latin American economists, largely associated with CEPAL, started to challenge the conventional wisdom on the nature and cures of inflation. This gave rise to a long debate between 'monetarists' and 'structuralists' which has sporadically resurfaced since. The fundamental disagreement between monetarists and structuralists is over the causes of inflation. Monetarists regard inflation as a monetary phenomenon

arising from excessive demand (too much money chasing too few goods) while for structuralists inflation arises from structural maladjustments and rigidities in the economic system.

Juan Noyola (1956) is generally credited with putting forward the first elements of the structuralist position on inflation to which also Furtado, Pinto, Prebisch, Seers, and Sunkel made major contributions, among others. Within the structuralist position it is possible to distinguish between moderate and radical structuralists although the difference is one of emphasis rather than substance. Noyola, a radical structuralist like Pinto, stresses the class struggle in his analysis of inflation and he is also more willing to consider agrarian reform as a policy measure for dealing with inflation in comparison with moderate structuralists like Prebisch.

At the heart of the controversy between structuralists and monetarists are different economic philosophies. Structuralists give far greater weight, and devote far greater attention, to the social and political origins of economic events than monetarists. They also place greater emphasis on the state in promoting economic development and in overcoming the deficiencies of the market. For the structuralists the removal of the main obstacles to development requires structural reforms of a social and political as well as an economic kind. While structuralists favour an inward-oriented and, to some extent, a self-reliant development strategy, monetarists advocate an outward-oriented development strategy driven by a closer reliance on the international market. Important political differences also exist: structuralists are considered to be broadly on the left while monetarists are seen to be on the right. Structuralists are largely reformist although a few may also favour revolutionary change.

Structuralists situate the problem of inflation within the context of the problem of development of the Third World while monetarists are less prone to do so. Thus, structuralists would forego price stability for development while the monetarists' attitude is the opposite. This difference arises because for the structuralists, inflation in Latin America arises from the socio-political tensions, sectoral imbalances and expectations generated by the process of development itself. Meanwhile, for the monetarists it is the inflationary process which is the major obstacle to growth.

2.3 Internal colonialism: ethnic and class relations

Although the term internal colonialism was sporadically employed by earlier authors, its modern conceptualization was developed during the early

to mid-1960s, principally by Pablo González Casanova and Rodolfo Stavenhagen. Running through the analysis are the distinctive and multiple relations of exploitation and domination which characterize situations of internal colonialism in the Third World.

National liberation struggles and the post-war decolonization process influenced the formulation of the concept of internal colonialism as well as theories of imperialism and colonialism. In his analysis of internal colonialism González Casanova lists a series of characteristics attributable to colonialism and finds that many of the factors which defined a situation of colonialism between countries in the past also exist within some present day independent Third World countries. It is this similarity between the past colonial relations of domination and exploitation between countries with those which exist today within some countries which prompts him to use the term internal colonialism when referring to the latter. The theory of internal colonialism is one of the first challenges to modernization theory, particularly of the dualist thesis. It also entails a critique of orthodox Marxist theory for its exclusive focus on class relations, thereby neglecting the ethnic dimension. A major contribution of the theory of internal colonialism is to explore the links between class and ethnicity.

González Casanova (1965) explicitly distinguishes relations of internal colonialism from urban-rural and class relationships. Relations of internal colonialism differ from urban-rural relations in that they have a different historical origin and are based on discrimination. They also differ from class relations as they cut across class lines. Rural-urban and class relations cannot be fully understood without reference to internal colonialism, particularly in those Third World countries with a significant indigenous population.

Undoubtedly the analysis of internal colonialism allows for the enrichment the class analysis. Stavenhagen (1965) argues that during Mexico's colonial period and the first decade after political independence, colonial and class relations appear intermixed, with the former being dominant. Thus, the class relations between Spaniards (including mestizos) and the Indians largely took the form of colonial relations. Nevertheless, within a wider perspective, colonial relations have to be considered as one aspect of class relations which were being forged by the mercantilist interests on a world scale. With the subsequent development of capitalism on a world scale and its penetration into the remoter regions of Mexico from the second half of the

nineteenth century, class relations increasingly entered into conflict with colonial relations as the latter primarily responded to mercantilist interests while the former met capitalist needs. Internal colonialism, by maintaining ethnic divisions, impedes the development of class relations as ethnic consciousness may override class consciousness.

The conceptualization of internal colonialism gave impetus to the critiques of dualist theories because it argues (a) that the capitalist development of the dominant countries is responsible for the formation and reproduction of internal-colonial relations within the subordinate countries and (b) that the relations of domination and exploitation which define internal colonialism were not typical of the capitalist development in today's capitalist countries.

2.4 Marginality: social relations and capital accumulation

The term marginality acquired widespread popularity and generated much discussion in Latin America, particularly from the mid-1960s to the 1970s. Two major strands of the Latin American marginality school can be distinguished - dualist or integrationist, and single system or class conflict - located within the modernization and Marxist paradigms respectively.

In the early 1960s the concept of marginality was taken up by Latin American social scientists working within a modernization paradigm to refer to certain social consequences arising from the rapid and massive post-war urbanization process in Latin America. Rapid urbanization arose from a 'population explosion' and an unprecedented high rate of rural-urban migration resulting in sprawling shanty towns, slums, and squatter settlements. Structuralist and neo-Marxist writers used the term marginalization with reference to the import-substituting industrialization's inability to absorb the growing contingent of the labour force and to its tendency to expel labour. This capital-intensive industrialization process led to further income concentration and marginalization of sectors of the population from the fruits of technological progress. As industrialization came to be dominated by foreign transnational corporations, this approach to marginality was linked to dependency theory.

Those working within a modernization paradigm, viewed marginality as lack of integration of certain social groups in society; while those working within a Marxist paradigm, viewed marginality as arising from the nature of the country's integration into the world capitalist system. The policy recommendations differed: while the former group argued for measures aimed at

integrating the marginal groups into a reformed capitalist system, the latter argued that marginality was a structural feature of capitalist society and that only a socialist development option could solve the problem of marginality.

Gino Germani is probably the most outstanding proponent of modernization theory in Latin America. He considers marginality to be a multidimensional phenomenon and his analysis starts by defining marginality as 'the lack of participation of individuals and groups in those spheres in which, according to determined criteria, they might be expected to participate' (Germani, 1980: 49). According to Germani, marginality usually arises during the process of transition to modernity (which he defines as an industrial society) which can be asynchronous or uneven as traditional and modern attitudes, values, beliefs, behaviours, institutions, social categories, regions, and so on, coexist. This asynchrony means that some individuals, groups, and regions are left behind and do not participate in, nor benefit from, this modernization process. They, thus become marginal.

By the late 1960s the modernization view on marginality was being challenged from various quarters. The theoretical weakness of the modernization position of marginality was seen as stemming from its failure to emphasize the class character of society and from its adherence to a dualist position which precludes an exploration of the interconnections between the 'marginal' and 'integrated' sectors as well as between the developed and underdeveloped countries within the world capitalist system.

The Marxist view on marginality partly originated in response to the modernization view and partly in response to a debate within Marxist theory. According to Quijano (1966) marginality reflected a particular manner of social integration and participation rather than non-integration or non-participation as the modernization theorists claimed. Given his view of marginality as the expression and consequence of a certain social system, reformist measures as the modernization theorists advocated, were seen to be inadequate. Nun (1969) created a new category - 'marginal mass' - which he differentiates from the Marxist concepts of 'relative surplus population' and 'industrial reserve army'. Likewise, Quijano (1974) proposed the concepts of 'marginal labour' and 'marginal pole of the economy' and wrestled with their relationship to existing Marxist categories.

Quijano's and Nun's preoccupation with marginality arises out of the disillusionment and critique of the post-Second World War industrialization

process in Latin America which failed to absorb the rapid increase in the labour force. They pinpoint the problem of marginalization as originating from the increasing control of foreign capital over the industrialization process resulting in its monopolization. Thus, marginality is largely a recent phenomenon. Nun argues that the penetration of transnational corporations into Latin America has created such a large relative surplus population that part of it is not only afunctional but even dysfunctional for capitalism. This part of the relative surplus population does not perform the function of an industrial reserve army of labour as it will never be absorbed into this hegemonic capitalist sector, even during the expansionary phase of the cycle, and therefore it has no influence whatsoever on the level of wages of the labour force employed by the hegemonic sector. Thus, in Nun's view a new phenomenon, not foreseen by Marx, has emerged in the dependent countries. For this reason Nun feels justified in coining a new concept of 'marginal mass'.

Quijano identifies various sources of urban and rural marginality: first, the development of a monopoly sector which generates unemployment by bankrupting some industries of the competitive sector; second, both hegemonic and competitive capital destroy part of the handicraft, workshop, small commerce, and small-service sectors, making that labour redundant; and third, capitalism penetrates agriculture, expelling labour. The question then arises as to how this marginal labour makes a living. Quijano argues that an increasing proportion of Latin America's population seeks refuge in what he calls the 'marginal pole' of the economy. He distinguishes between two types of marginal population: the 'marginal petty bourgeoisie' and the 'marginal proletariat'. The former is less numerous and less marginal, being self-employed. Their productive activities and services are largely geared towards the marginal population but they may find a market in the urban proletariat and the non-marginal petty bourgeoisie. Meanwhile, the marginal proletariat find only occasional temporary employment in the labour-intensive and non-technified activities such as construction, non-productive and manual services. They are unlikely to be employed by the marginal petty bourgeoisie as the latter lack the resources. These types of marginals heighten social differentiation by constituting a sub-class within the petty bourgeoisie and proletariat respectively.

Quijano's and Nun's theory of marginality has generated a lively debate largely from a Marxist perspective. A group of radical social scientists (F. H. Cardoso, Kowarick, P. Singer and F. de Oliveira, among others), working in

the Brazilian Centre for Analysis and Planning (CEBRAP) in São Paulo, have made the most significant contribution to this debate. The discussion has centred on three major issues: (1) the extent to which the marginality concepts differ from Marx's industrial reserve army of labour; (2) the contribution of marginals to the process of capital accumulation and their articulation to the dominant mode of production; and (3) the relationship between marginality and dependency. With regards to (1) the CEBRAP critics query the need for new concepts and hold that existent Marxist categories are adequate. With regards to (2) they argue that the marginals' contribution to capital accumulation is far greater than suggested by the marginalistas. They also put greater emphasis on analysing the social relations of production of the marginal sector which they characterize as being largely non-capitalist but functional for capitalist accumulation. Finally, with regards to (3) they stress that marginality depends as much on internal as external factors. This reflects the CEBRAP perspective in which greater emphasis is given to the internal dynamism of dependent countries.

Following the CEBRAP critics, the main weakness of marginality analysis is its tendency to underestimate the significance of the 'marginals' for the reproduction of the capitalist system. Many critics have pointed out how this 'underclass', 'sub-proletariat', 'immiserated fraction of the working class', or 'informal labour' are far from being at the margin of the national and international system of capital accumulation. However, there is still a need to develop a conceptual framework and terminology to refer to such an important reality. This the more recent discussion on the formal and informal sectors has attempted to do. Despite the theoretical and empirical shortcomings of the Latin American marginality school, its merit has been to draw attention to the plight of a vast and heterogeneous mass of impoverished Third World labour and to stimulate detailed research on how the poor make a living and cope with their poverty. It has also pointed to a gap in social theory which had so far failed dismally to analyse and theorize on a major problem of underdevelopment and development.

2.5 Dependency analysis: structuralist and Marxist variants

The dependency literature has stimulated many debates and provoked a bewildering array of critiques. While some critics of dependency theory have made a positive contribution many other critics have revealed an ignorance of key dependency writings and spread many distortions thereby creating much confusion. In particular, there exists an imbalance (especially common in the

English-speaking world) regarding the diffusion of dependency theory: the excessive focus on the writings of André Gunder Frank to the neglect of other authors.

Although some propositions are shared, many important differences remain between dependency writers. Two key positions can be differentiated: reformist and Marxist.⁴ Some of the main reformist dependency writers are Fernando Henrique Cardoso, Osvaldo Sunkel, Celso Furtado, Helio Jaguaribe, Aldo Ferrer, and Aníbal Pinto. Their ideas are best seen as a further development of the structuralist school as they attempt to reformulate CEPAL's developmentalist position in the light of the crisis of import-substituting industrialization. Within the Marxist dependency camp are the writings of Ruy Mauro Marini, Theotonio Dos Santos, André Gunder Frank, Oscar Braun, Vania Bambirra, Aníbal Quijano, Edelberto Torres-Rivas, Tomás Amadeo Vasconi, Alonso Aguilar, and Antonio García, among others. However, they are best considered as neo-Marxists as they query the progressive role of capitalism in dependent countries.

2.5.1 The reformist approach to dependency

Within the reformist dependentista group variations also arise as they highlight different aspects of dependency. While for Sunkel the keyword is 'national disintegration', for Furtado it is 'dependent patterns of consumption' and for Cardoso it is 'associated-dependent development'.

Sunkel's (1972a) analysis focuses on the way in which transnational capitalism creates a new international division of labour leading to national disintegration in Latin America. As transnational conglomerates began to take over the commanding heights of the economy, particularly in the industrial sector, Sunkel saw them as driving a wedge into national society. While a minority of the country's population is integrated into the transnational system and receives some of the spoils, this is at the cost of national disintegration. Each social group is fragmented, with a larger proportion of capitalists as compared with the middle class, and in turn a larger proportion of the latter as compared with the working class, being incorporated into this system. Sunkel, however, believes that development without dependence and without marginalization can be achieved by reforming the asymmetrical nature of the international capitalist system through hard bargaining and pragmatic negotiations. Thus, his position is reformist although his optimism is become guarded.

For Furtado (1972) the control of technical progress and imposition of consumption patterns from the centre countries are the key factors which explain the perpetuation of underdevelopment and dependence in the periphery. The increasingly diversified consumption pattern geared towards the high-income groups in the peripheral countries structures an equally diversified industrial consumer-goods production pattern. The technology for producing these products comes from the centre countries and largely from multinationals. This capital-intensive technology perpetuates further the concentration of income and the surplus of labour, thereby reproducing the vicious circle of underdevelopment and dependence.

Cardoso is one of the key contributors to the dependency approach. In their pioneering and by now classical book, Cardoso and Faletto (1979, orig. 1969) analyse the changing relationship between internal and external factors which have determined the development process in Latin America from the early 'outward expansion' of newly independent nations to the present period of internationalization of the market and the 'new dependence'. By grafting CEPAL's historical periodization of 'outward- and inner-directed economic development' on to different types of dependency situations, Cardoso and Faletto intermarry CEPAL's economic structuralism with dependency analysis. Their economic analysis remains very much within the cepalista mould but they add a social and political analysis which was largely absent in CEPAL's writings. Their originality lies in the way in which they analyse the changing relationships between economic, social, and political forces during key conjunctures in post-colonial Latin America, and the manner in which they relate the changing internal relationships to external forces, i.e. their attempt to throw light on the question of how internal developments link to external changes and how the world system impinges differently upon the various Latin American countries.

This interaction between internal and external elements forms the core of Cardoso and Faletto's characterization of dependence. They seek to explore diversity within unity of the various historical processes, contrary to Frank's search for unity within diversity. Dependence is not regarded simply as an external variable as they do not derive the internal national socio-political situation mechanically from external domination. Although the limits for manoeuvre are largely set by the world system, the particular internal configuration of a country determines the specific response to the same external events. Thus, they do not see dependency and imperialism as

external and internal sides of a single coin, with the internal reduced to a reflection of the external. They conceive the relationship between internal and external forces as forming a complex whole by exploring the interconnections between these two levels and the ways in which they are interwoven.

In contrast to some other dependency writers, Cardoso does not regard dependency as being contradictory to development and to indicate this he coins the term 'associated-dependent development'. He therefore rejects Frank's idea that when the links of dependence are intensified, growth falters, and when they are loosened, domestic growth is enhanced. While there is room for some form of associated-dependent capitalist development the possibility of a transition to socialism is, in Cardoso and Faletto's view, remote in Latin America. In their view a strictly proletarian route to socialism is unviable within the present-day conditions of dependency.

2.5.2 The Marxist dependency approach

The most consistent effort to develop a 'Marxist theory of dependency' was undertaken by a group of social scientists working in the Centre of Socio-Economic Studies (CESO) of the University of Chile in Santiago. Although the group shared certain theoretical premisses and objectives, different views and political positions existed among them. While no coherent and single theory was forthcoming, they produced many theoretical insights and empirical studies. The goal of developing a Marxist theory of dependency arose out of a realization that Marx never fully tackled the colonial question. While the classical Marxist theory of imperialism addressed the new stages and aspects of capitalism, it was mainly concerned with the imperialist countries (revealing a certain Eurocentrism) and had little to say on the underdeveloped countries, a gap which the Marxist dependentistas hoped to begin to fill. Furthermore, they are critical of the classical theories' progressive view of capitalism and of foreign capital in Third World countries. For these reasons the Marxist dependentistas can be referred to as neo-Marxists.

For the dependency writers a key theoretical problem is how to explain the differences between the development of capitalism in the dependent countries and in the developed countries. A group of Russian revolutionaries, known as the populists, were the first to confront the problem of applying Marx's theory of capitalism to a different historical situation, i.e. that of Russia during the late nineteenth century. They were encouraged in their efforts by Marx himself, and the Marxist dependentistas have drawn inspiration

from this precedent. Paul Baran has also exercised a major influence on the Marxist dependency writers, as they adopted his thesis that underdevelopment is rooted in the capitalist development of the imperialist countries and that underdevelopment and development are the common results of a world-wide process of capital accumulation. His view that capitalism is no longer a progressive force in the stage of imperialism and monopoly capitalism, and that the so-called national bourgeoisies of the underdeveloped countries are unable to uproot underdevelopment also influenced dependentistas.

Amongst the Marxist dependency writers Marini (1973) has made the most systematic theoretical effort to determine the specific laws which govern the dependent economies. Although Marini is, in my view, the most outstanding Marxist dependentista his work is almost completely unknown in the English-speaking world. Marini's central thesis is that dependence involves the over-exploitation or super-exploitation of labour in the subordinate nations. This over-exploitation of labour in the periphery arises out of the need of capitalists to recover part of the fall in profit rates as a consequence of unequal exchange. Unequal exchange means that the periphery's profit rate falls and the centre's rises as value is transferred from the former to the latter. Thus, over-exploitation helps to compensate for unequal exchange. In turn this over-exploitation of labour hinders the transition from absolute to relative surplus value as the dominant form in capital-labour relations and the accumulation process in the periphery, thereby underpinning their dependence.

According to Marini the circuit of capital in dependent countries differs from that of centre countries. In dependent countries the two key elements of the capital cycle - the production and circulation of commodities - are separated as a result of the periphery being linked to the centre through the over-exploitation of labour. Production in the Third World countries does not rely on internal capacity for consumption but depends on exports to the developed countries. Wages are kept low in the dependent countries because the workers' consumption is not required for the realization of commodities. Thus, the conditions are set for the over-exploitation of labour so long as a sufficiently large surplus population exists. In the dominant countries, meanwhile, the two phases of the circulation of capital are completed internally. Once industrial capital has established itself in the advanced countries, capital accumulation depends fundamentally on increases in labour's relative surplus value through technical progress. The

resulting increase in labour productivity allows capitalists to afford wage increases without a fall in their profit rate. This rise in the workers' income fuels the demand for industrial goods and so the cycle continues.

Turning now to the most famous writer on dependency Frank's main contribution to dependency analysis occurs before he actually uses the term dependence, but is found in his central and well-known idea of 'the development of underdevelopment'. Although the concept of dependence is best-known to an English-speaking audience through the work of Frank he is a reluctant and short-lived dependentista. As he himself acknowledges: "In using the word 'dependence' I only just attach myself - I hope temporarily - to the new fashion, already so widespread that it has become equally acceptable to the reformist bourgeoisies and to revolutionary marxists." (Frank, 1970: 19-20.) Indeed, by 1972 he already pronounced dependence as dead, "at least in the Latin America that gave it birth" (Frank, 1977: 357).

In retrospect Frank's writings can best be considered as belonging to the world-system perspective to which he, together with Samir Amin and Immanuel Wallerstein, has made such a vital contribution. Of course, Frank's work has been extremely influential all over the world but it would be a mistake to consider him as the dependency writer par excellence. His prolific and polemical writings helped to popularize the dependency vision, but at the same time the identification outside Latin America of dependency theory with the work of Frank has led to a one-dimensional view of it. Readers in the English-speaking world thereby failed to perceive the variety and richness of the Latin American dependency school.

3. Critical weaknesses of structuralism and dependency analysis

A renewal of structuralist and dependency analysis is called for if they are to continue to challenge and present an alternative to the neoclassical and modernization paradigms. I have identified seven major issues which need to be reconsidered. These are set out below.

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. This detracts from the fundamental issue of 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.

Second, and following from the above, the 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 revised. 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. 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. What is being argued is that development and underdevelopment are primarily rooted in social relations of production and not in relations of exchange. Those analyses which essentially focus on exchange relations between nations tend to underemphasize the internal obstacles to development and overemphasize the external obstacles. Furthermore, participation in the international division of labour can lead to development, while an autarchic development strategy does not ensure development.

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. The early writings of CEPAL, 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. In turn, dependentistas had an idealist vision of the socialist state. Not only would the proletarian state abolish exploitation and poverty but, through a comprehensive programme of nationalization and planning, also a self-reliant and self-sustaining development process would be achieved, and underdevelopment and foreign exploitation would finally be overcome. Thus, structuralist and dependentistas need to give far greater recognition to the limitations of the state in overcoming underdevelopment and dependence and to the pervasiveness of such a state of affairs. Also more attention needs to be paid to the manifold relationships between state interventions and market mechanisms as in today's more complex world the dichotomy state-market is an increasingly simplistic vision.

Fourth, 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. New social movements, such as anti-authoritarian, religious, ethnic, feminist, regional, anti-institutional, and ecological movements, are emerging in Latin America. 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.

Fifth, more research 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 patron-client relationships. 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'. The ecological theme also has to be further explored and given greater importance in view of the increasing ecological crisis.

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, occurrences are simply not analysed. It is often the distinct and unassuming small events which give diversity and richness to a theory making it less prone to dogmatic and unidimensional tendencies.

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. Dichotomies such as capitalism or socialism, outward- or inward-directed development, and import-substitution- or export-promotion-industrialization are increasingly simplistic visions in today's highly interlinked and complex world.

4 Contemporary relevance of the Latin American theories

Despite these criticisms and reservations, Latin American theories of underdevelopment and development provide a fertile starting-point for understanding and overcoming the Third World's, and particularly Latin America's, present-day predicament. This is especially the case if structuralism and dependency thinking are understood as methods of analysis, as frameworks, and as series of propositions rather than as fully fledged theories. In what follows I give a few illustrations regarding the contemporary relevance of the Latin American school.

(i) The curse of external vulnerability. Already in the late 1940s the structuralists argued that the key obstacle to Latin America's economic development was the foreign exchange constraint, and in the late 1960s the dependentistas expressed this central problem in terms of external dependence. As a consequence of the neo-monetarists' outward-directed development

strategy, and more specifically the debt crisis, Latin America's external vulnerability is even greater than before. In addition, the structuralists' and the dependentistas' analysis of the terms of trade and unequal exchange retains some validity, but new factors, such as the debt, contribute to the region's external vulnerability. In recent years the studies on the terms of trade between North and South have multiplied, most notably because of their drastic deterioration and negative consequences, particularly for some African countries.

(ii) Financial and technological dependence. The debt crisis has added a new dimension to the region's financial dependence which has been considerably aggravated. It also reveals the limited options open to the debtor countries due to their technological dependence. In this way some aspects of dependency analysis are vindicated. The problem today is not just one of insufficient growth of foreign-exchange earnings and capital accumulation: it has been made considerably worse as a result of the crippling foreign debt. In order to service this debt Latin America has become a net exporter of capital since 1982. This has meant that the rate of capital formation has fallen with the consequent stagnation or negative growth of the economy. With the rise in debt service, Latin American countries have had to drastically reduce their imports. The brunt of the cuts in imports was borne by capital goods further aggravating the crisis. Thus, the dependentistas' focus on the negative consequence of technological dependence continues to be relevant but has to be adjusted to the new circumstances.

(iii) The continuing structuralist-monetarist controversy. The debt crisis, together with the resurgence of inflation, has also led to a renewed interest in the old structuralist-monetarist debate on the IMF's adjustment and stabilization programmes. Many Third World governments resent IMF interference in the formulation of their internal economic policies. Seers (1981) attacked the short-sightedness of IMF policies and, while castigating some developing countries who followed structuralist-type policies for financial irresponsibility, argued that economists in the developed countries could learn useful lessons from the structuralist-monetarist debate. He criticized those economists for not taking the structuralists' contribution on inflation into account and condemns their ignorance of it. In turn, structuralists need to consider short-term monetary and fiscal measures and to link these more closely to the debt problem when designing an anti-inflationary programme. This the recent neo-structuralist 'heterodox

shock' stabilization policies have started to do in some Latin American countries but with little success so far.

(iv) Structural heterogeneity, marginality, and the informal sector. The analysis of structural heterogeneity retains significance, especially as differences in productivity between and within sectors have become even more acute in the last decade. Such disparities in productivity lead to increased intra- and inter-sectoral imbalances, widen income differentials, limit the spread of technological progress, and reflect the continuing, if not growing, marginalization. Most new investments and modern technologies go to the most productive enterprises within each sector and much, if not most, of these new investment resources go to the industrial sector. Thus marginality is still a problem as labour continues to be marginalized both from and by a modern technology which is largely imported from the advanced countries. Consumption patterns in underdeveloped countries are increasingly being 'denationalized' or internationalized as growing sectors of the population imitate those of the developed countries. The creation of such dependent consumption habits extends as far as agro-industrial food products. Also the neo-conservatives' stabilization programmes have increased the mass of the structurally unemployed. These unemployed have to fall back on their ingenuity to devise survival strategies varying from petty activities to casual and low-paid labour in the informal sector of the economy.

(v) Ethnicity, regionalism and the national question. The resurgence of ethnic and regional-autonomist movements in many parts of the world reveals the persistence of these problems. The studies on internal colonialism do provide a entry into the analysis of some of these issues.

(vi) New industrialization strategies. In the late 1940s and early 1950s when the structuralists first advocated import-substituting industrialization, they had to battle against orthodox economists who argued that less-developed countries should continue to specialize in primary-commodity production on the grounds of international comparative advantage. At that time the dispute was over whether Third World countries should industrialize or not; today it is about whether they should follow an import-substituting or an export-oriented industrialization strategy. Neoclassical economists who advocate an export-oriented-industrialization strategy conveniently forget that a couple of decades earlier they were opposed to any kind of industrialization strategy for the Third World - except for one spontaneously and gradually induced by free markets. Their position has changed (though often not publicly admitted)

in view of the successful industrialization of the newly industrializing countries in East Asia. The spectacular breakthrough into manufacturing exports of these countries in the last couple of decades is hailed as a success of free-market policies and is used as a stick with which to beat the early supporters of import substitution and all those who favour state interventionism in the economy. However, on closer examination a more complex picture emerges from the industrialization experience of the newly industrializing countries. While some oriented their industrialization to the external market, many entered the export market after having first gone through an import-substitution process. The key difference between the old import-substituting countries and the East Asian newly industrializing countries is that government intervention in the latter was much more selective, responsive to new events, and less enduring, and their ultimate purpose was increasingly to expose the industrial sector to international competition. It might therefore be judicious for some underdeveloped countries to combine varying degrees and types of protectionism, export-promotion, and state intervention according to changing circumstances in a manner which was already being suggested by structuralists.

5 Conclusions

While in the early 1960s Seers held out the hope that the new discipline of development economics might overcome the crisis in economics, by the late 1970s he argued that development economics itself was in crisis. On the one hand, he perceived that developed countries were beginning to experience structural problems in the post-industrial era and, on the other hand, that the rapid industrialization of some developing countries, together with the growing interdependence of the world economy, revealed a new situation. He then concluded that the way forward was for economics and development economics to be replaced by development studies because it offered the best hope for an interdisciplinary and world-system approach which was required for understanding and tackling the development problems in both the North and the South. In this context he mentioned that the Latin American school of development provided some useful pointers. Streeten echoes similar sentiments by arguing that today it is necessary to stress the 'unity in diversity' and concludes, following Hirschman, that "the explanation of Southern societies, with different tools of analysis, has often led to new illuminations and

discoveries in our own Northern societies, thereby re-establishing the unity of analysis" (Streeten, 1983: 876).

In outlining the contribution, shortcomings, and contemporary relevance of the Latin American school I have endeavoured to show that closer attention to the writings emanating from the Third World can provide one of the sources for the renewal of development theory. There is certainly an urgent need today to develop and assert alternatives to neo-conservative theories and policies in both the South and the North. It has been argued that the Latin American theories of development and underdevelopment provide a useful platform from where to develop an alternative to the neo-conservative and modernization paradigms. For this to happen the Latin American theories would need to address a number of shortcomings and become part of a more general theory of development in which the contributions to development theory from the North and other regions of the South are duly taken into account.

NOTES

1. This paper is based on my recently published book, see Kay (1989).
2. The following books can, among others, be mentioned: Blomström and Hettne (1984), Hunt (1989), Kay (1989), Larraín (1989), Hettne (1989), and Lehmann (1990).
3. The English acronym is ECLAC (Economic Commission for Latin America and the Caribbean). The Latin American structuralist school originated in CEPAL and thus is often referred to as the cepalista school.
4. As with any classificatory schema some degree of arbitrariness and simplification is involved. In a more refined classification F. H. Cardoso would have his own category. In addition to the two approaches it is possible to distinguish a 'Caribbean dependency school'. While individual members hold either reformist or radical positions, these ideological differences never crystallized into reformist and Marxist wings as in the Latin American school and it was thus a far more coherent school. It was also a more tightly knit group, for which the University of the West Indies provided an institutional base.

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