

CHAPTER 5

The Dependency Perspective

THE HISTORICAL CONTEXT

Just as the modernization school can be said to examine development from the point of view of the United States and other Western countries, the dependency school can be said to view development from a Third World perspective. According to Blomstrom and Hettne (1984), the dependency school represents "the voices from the periphery" that challenge the intellectual hegemony of the American modernization school.

The dependency school first arose in Latin America as a response to the bankruptcy of the program of the U.N. Economic Commission for Latin America (ECLA) in the early 1960s (Bodner 1970a; Dos Santos 1973). Many populist regimes in Latin America tried out the ECLA developmental strategy of protectionism and industrialization through import substitution in the 1950s, and many Latin American researchers had high hopes for a trend toward economic growth, welfare, and democracy. However, the brief economic expansion in the 1950s quickly turned into economic stagnation. In the early 1960s, Latin America was plagued by unemployment, inflation, currency devaluation, declining terms of trade, and other economic problems. Popular protests were followed by the collapse of popular regimes and the setting up of repressive military and authoritarian regimes. Needless to say, many Latin American researchers were disappointed. They be-

came disillusioned with both the ECLA program and the American modernization school, which proved unable to explain economic stagnation, political repression, and the widening gap between rich and poor countries.

The dependency school was also a response to the crisis of orthodox Marxism in Latin America in the early 1960s. From an orthodox communist viewpoint, the Latin American countries had to go through the stage of "bourgeois" industrial revolution before they could wage a "proletarian" socialist revolution. However, the Chinese Revolution in 1949 and the Cuban Revolution in the late 1950s showed that Third World countries could skip the stage of bourgeois revolution. Attracted to the Chinese and Cuban models of development, many radical Latin American researchers wondered whether their own countries could also move into the stage of socialist revolution.

This indigenous Latin American dependency school then quickly spread from Latin America to North America. Andre Gunder Frank, who happened to be in Latin America in the early 1960s, was instrumental in disseminating the ideas of the dependency school to the English-speaking world. In fact, outside Latin America, the dependency school has generally been identified with Frank and the American journal *Monthly Review*, to which Frank is a frequent contributor.

The dependency school received a warm welcome in the United States in the late 1960s because it resonated with the sentiments of a new generation of young radical researchers who came of age during the campus revolts, antiwar protests, women's liberation activities, and ghetto rebellions of that time. In Chirot's (1981, p. 259-260) words:

The American debacle in Vietnam and the eruption of major racial troubles in the mid-1960s, followed by chronic inflation, the devaluation of the American dollar, and the general loss of America's self-confidence in the early 1970s, ended the moral conviction on which modernization theory had come to base itself. A new type of theory became popular among younger sociologists, one that reversed all of the old axioms.

America became the very model of evil, and capitalism, which had been seen as the cause of social progress, became a sinister exploiter and the main agent of poverty in most of the world. Imperialism, not backwardness and lack of modernity, was the new enemy.

Emerging from the historical context of the 1960s, the dependency school was therefore a response to the failure of the ECLA program, the crisis of orthodox Marxism, and the decline of the modernization school in the United States. The following section provides a brief review of the ECLA program and the Marxist theories as background for discussion of the dependency perspective.

THE INTELLECTUAL HERITAGE

The ECLA

The formulation of a distinctly Latin American school of development is intimately related to the ECLA. In what is known as the "ECLA Manifesto," Prebisch (1950), who was the head of the ECLA, criticized the outdated schema of the international division of labor. Under this schema, Latin America was asked to produce food and raw materials for the great industrial centers, and, in return, Latin America would receive industrial goods from these centers. It was Prebisch's contention that this scheme was at the root of the developmental problems of Latin America. Reliance on exports of food and raw materials would inevitably lead to a deterioration of Latin America's terms of trade, which would further affect its domestic accumulation of capital.

Prebisch's strategy for Latin American development called for the one-sided international division of labor to be stopped, and for Latin America to undergo industrialization:

- The process of industrialization was to be speeded up by the substitution of a large part of current imports by domestic production.

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Initially, domestic industries were to be protected from foreign competition by tariffs and other support measures, but once their competitive ability had improved, the local firms should be able to manage on their own.

- The production of raw materials would continue to play an important role in Latin American economies. The income earned from exporting raw materials should be used to pay for imported capital goods, and thus help increase the rate of economic growth.
- Governments should actively participate as coordinators of the industrialization program. Increased government involvement was necessary to break the chains of underdevelopment (Blomstrom and Hettne 1984, p. 41-42).

Initially, this ECLA strategy was rather coldly received by Latin American governments in the 1950s. This resistance explains why the ECLA could not push forward radical measures such as land reforms. In fact, structural changes have never been placed high on the priority list of necessary changes. To a certain extent, the ECLA strategy can be considered overly optimistic. It assumes that the various characteristics of an underdeveloped society would automatically disappear in the process of industrialization—that is, industrialization would put an end to all problems of development.

Unfortunately, the ECLA program did not succeed. Economic stagnation and political problems came to the fore in the 1960s. As Blomstrom and Hettne (1984, p. 45) explain, the shortcomings of the policy of import substitution were obvious:

The purchasing power was limited to certain social strata, and the domestic market showed no tendency to expand after its needs had been fulfilled. The import dependency had simply shifted from consumption goods to capital goods. The conventional export goods had been neglected in the general frenzy of industrialization, the result was acute balance-of-payment problems in one country after another. The optimism of growth changed into deep depression.

The failure of the moderate ECLA program prompted the dependency school to propose a more radical program, as will be seen in the next section.

Neo-Marxism

Another theoretical tradition upon which the dependency school draws is neo-Marxism. The success of the Chinese and Cuban revolutions helped to spread a new form of Marxism to Latin American universities, giving rise to a radical generation whose members described themselves as "neo-Marxists." According to Foster-Carter (1973), neo-Marxists are different from orthodox Marxists in the following respects:

- (1) While orthodox Marxists see imperialism in a "center's" perspective as a stage of monopoly capitalism in Western Europe, neo-Marxists see imperialism from the "peripheral" point of view, focusing on the indictments of imperialism on Third World development.
- (2) Orthodox Marxists tend to advocate a strategy of two-stage revolution. A bourgeois revolution has to take place before a socialist revolution occurs. Since most Third World countries are backward, orthodox Marxists have high hopes for the progressive bourgeoisie to carry out the present stage of bourgeois revolution. Neo-Marxists, on the other hand, believe that the present situation in the Third World is ripe for socialist revolution. They want revolution now. They perceive the bourgeoisie as the creation and tool of imperialism, incapable of fulfilling its role as the liberator of the forces of production.
- (3) If socialist revolution occurs, orthodox Marxists would like it to be promoted by the industrial proletariat in the cities, while neo-Marxists are attracted to the path of socialist revolution taken by China and Cuba. Neo-Marxists have high hopes for the revolutionary potential of the peasantry in the countryside, and guerrilla warfare by the people's army is their favorite strategy of revolution.

As will be seen in the following discussion, this tradition of neo-Marxism has provided many key concepts for the dependency school's criticisms of both the ECLA program and the modernization school in the mid-1960s.

FRANK: THE DEVELOPMENT OF UNDERDEVELOPMENT

Before presenting the concept of underdevelopment and the model of metropolis-satellite exploitation, Frank (1967, 1969) starts

with a critique of the modernization school. According to Frank, most of the theoretical categories and development policies in the modernization school have been distilled exclusively from the historical experience of European and North American advanced capitalist nations. To this extent, these Western theoretical categories are unable to guide our understanding of the problems facing Third World nations.

First, the modernization school is deficient because it offers an "internal" explanation of Third World development. The modernization school assumes that there is something wrong inside Third World countries—such as traditional culture, overpopulation, little investment, or lack of achievement motivation—and this is why Third World countries are backward and stagnant. In addition, by ignoring the history of Third World countries, the modernization school assumes that these countries are now at the early stage of development according to the experience of Western countries, and therefore they need to look to Western countries as mentors and follow the Western path of development in order to reach modernity.

According to Frank, Third World countries could never follow the Western path because they have experienced something that Western countries have not experienced. To put it plainly, Western countries have not experienced *colonialism*, while most Third World countries are former colonies of Western countries. It is strange that the modernization school seldom discusses the factor of colonialism in detail, given that many Third World countries were colonies for more than a century. The colonial experience has totally restructured Third World countries and has drastically altered their paths of development.

In reaction to the "internal" explanation of the modernization school, Frank offers an "external" explanation for Third World development. According to Frank, the backwardness of Third World countries cannot be explained by feudalism or traditionalism. In fact, it is wrong to characterize Third World countries as "primitive," "feudal," or "traditional," because many countries—such as China and India—were quite advanced before they encountered colonialism in the eighteenth century. Instead, the historical experience of colonialism and foreign domination have reversed the

development of many "advanced" Third World countries and forced them to move along the path of economic backwardness. In trying to capture this historical experience of the degeneration of Third World countries, Frank formulates the concept of "the development of underdevelopment" to denote that underdevelopment is not a natural condition but an artifact created by the long history of colonial domination in Third World countries.

In addition, Frank has formulated a "metropolis-satellite" model to explain how the mechanisms of underdevelopment work. This metropolis-satellite relationship has its origins in the colonial period, when the conqueror implanted new cities in the Third World with the aim of facilitating the transfer of economic surplus to Western countries. According to Frank, the national cities then became the satellites of the Western metropolis. This metropolis-satellite relation, however, is not limited to the international level—it penetrates to the regional and local levels of Third World countries as well. Therefore, just as the national cities have become the satellites of the Western metropolises, so these satellites immediately become the colonial metropolises with respect to the provincial cities, which in turn have local cities as satellites surrounding them. A whole chain of constellations of metropolises and satellites is established to extract economic surplus (in the forms of raw materials, minerals, commodities, profits) from Third World villages to local capitals, to regional capitals, to national capitals, and finally to the cities of Western countries.

Frank argues that this national transfer of economic surplus has produced underdevelopment in Third World countries and development in Western countries. In other words, the historical process that generates development in the Western metropolises also simultaneously generates underdevelopment in Third World satellites. Based on this metropolis-satellite model, Frank has proposed several interesting hypotheses concerning Third World development:

- *Hypothesis 1:* In contrast to the development of the world metropolis, which is no one's satellite, the development of national and other subordinate metropolises is limited by their satellite statuses. For instance, although São Paulo has begun to build up an industrial

countries (the dominant ones) can expand and can be self-starting, while other countries (the dependent ones) can do this only as a reflection of that expansion." He further argues that relations between dominant and dependent countries are unequal because development of the former takes place at the expense of the latter. For example, through monopolistic control of the market in trade relations, and through loans and the export of capital in financial relations, there is a transfer of surplus generated in dependent countries to dominant countries. For dependent countries, this transfer results in the limitation of the development of their internal markets and their technical and cultural capacities, as well as of the moral and physical health of their people.

In addition to formulating the commonly used definition of dependence, Dos Santos has distinguished three historical forms of dependence. The first two of these are *colonial* dependence and *financial-industrial* dependence. In colonial dependence, the commercial and financial capital of the dominant country, in alliance with the colonial state, monopolized the control of land, mines, and human resources (serf or slave) and the export of gold, silver, and tropical products from the colonized country. However, by the end of the nineteenth century, financial-industrial dependence emerged. Although still dominated by the big capital of the European centers, the economies of the dependent countries were then centered upon the export of raw materials and agricultural products for consumption in European countries. Unlike that in the previous epoch, the production structure in this stage was characterized by an export sector with rigid specialization and monocultivation in entire regions (e.g., the Caribbean and the Brazilian northeast). Alongside these export sectors, there were complementary economic activities (like cattle raising and some manufacturing) that were dependent on the export sector to which they sold their products. Then there was also a subsistence sector that both produced human resources for the export sector in boom periods and absorbed unemployment during periods of economic decline.

Dos Santos's greatest contribution, however, is his formulation of the third historical form of dependence: *technological-industrial* dependence. This form emerged in the post-World War II era, when industrial development began to take place in many under-

establishment, Frank does not believe that Brazil can break out of the cycle of satellite development, which is characterized by non-autonomous and unsatisfactory industrial development.

- *Hypothesis 2:* The satellites experience their greatest economic development when their ties to the metropolis are weakest. Frank observes that Latin America experienced marked autonomous industrialization during the temporary isolation caused by the crisis of World War I and by the depression in the world metropolis in the 1930s.
- *Hypothesis 3:* When the metropolis recovers from its crisis and reestablishes the trade and investment ties that then fully reincorporate the satellites into the system, the previous industrialization of these regions is choked off. Frank points out that Brazil's new industries suffered serious adverse consequences from American economic invasion right after World War I, leading to balance-of-payments problems, inflation, and political difficulties.
- *Hypothesis 4:* The regions that are the most underdeveloped and feudal today are those that had the closest ties to the metropolises in the past. For example, Frank points out that when the market for West Indies sugar and the wealth of Brazilian mines disappeared, the world metropolis simply abandoned these countries. Due to their satellite status, their already-existing structure was unable to generate autonomous economic growth, leaving them with no alternative but to degenerate into the extreme underdevelopment in which we find them today. Frank argues that the archaic institutions in the satellites are historical products of the penetration of metropolis capitalism.

More of Frank's hypotheses could be listed here, but the above are sufficient to show that they represent an approach to the examination of Third World development different from that offered by the modernization school.

DOS SANTOS: THE STRUCTURE OF DEPENDENCE

As the theory of imperialism focuses on the expansion and domination of the imperialist powers, the concept of dependence highlights the fundamental problems facing underdeveloped countries. In spelling out the classical definition of dependence, Dos Santos (1971, p. 226) states that the relationship between two or more countries "assumes the form of dependence when some

developed countries. According to Dos Santos, there are fundamental structural limitations placed on the industrial development of underdeveloped economies. First, industrial development is now dependent on the existence of an *export sector*. Only the export sector can bring in the needed foreign currency for the purchase of advanced machinery by the industrial sector. In order to preserve its traditional export sector, an underdeveloped nation must maintain the preexisting relation between production and the maintenance of power by the traditional decadent oligarchy. In addition, since the export sector (especially the marketing network) is usually controlled by foreign capital, it signifies political dependence on foreign interests too.

Second, industrial development is strongly influenced by fluctuations of the *balance of payments*, leading to a deficit. The causes of the deficit are three: (1) A highly monopolized international market tends to lower the price of raw materials and to raise the price of industrial products. There is also a tendency for primary products to be replaced by synthetic raw materials. As such, dependent countries suffer a trade deficit because of their reliance on the export of raw materials. (2) Since foreign capital retains control of the economy of dependent countries, it carries off a high volume of profit (from freight transport, royalty payments, technical aid, and so on). Thus Dos Santos points out that the amount of capital leaving dependent countries is actually much greater than the amount entering. For example, for the period 1946-1967, for each dollar that entered dependent countries, \$2.73 left. This process produces a deficit in capital accounts and limits the importation of foreign inputs for industrialization. (3) The result is that "foreign financing"—in the form of foreign capital and foreign aid—becomes necessary to cover the existing deficit and to finance further development. Nevertheless, Dos Santos (1971, p. 231) argues that the purpose of this foreign financing is "in large part to finance North American investments, to subsidize foreign imports which compete with national products, to introduce technology not adapted to the needs of underdeveloped countries, and to invest in sectors not necessarily of high priority."

Third, industrial development is strongly conditional on the *technological monopoly* exercised by the imperial centers. On the one

hand, transnational corporations do not sell machinery and process raw materials as simple merchandise. Instead, they either demand payment of royalties for their utilization or convert these goods into capital and introduce them in the form of their own investments. On the other hand, dependent countries are short of foreign currency to pay for the utilization of machinery and raw materials that are patented. These factors oblige the governments of dependent countries to facilitate the entry of foreign capital into their domestic markets in order to obtain needed technology and patented raw materials. Under such conditions, Dos Santos (1971, p. 232) states that "foreign capital enters with all the advantages: in many cases, it is given exemption from exchange controls for the importation of machinery; financing of sites for installation of industries is provided; government financing agencies are available to facilitate industrialization; loans from foreign and domestic banks, which prefer such clients, are available; in many cases, foreign aid for the strengthening of industrialization is available."

What are the effects of this latest form of technological-industrial dependence on the productive structure of underdeveloped countries? First, the unequal capitalist development at the international level is reproduced internally in an acute form, with the productive structure of underdeveloped countries torn between a "traditional" agrarian export sector and a "modern" sector of technological and economic-financial concentration.

Second, the context of a local cheap labor market combined with the utilization of a capital-intensive technology has led to profound differences among various domestic wage levels. From a Marxist perspective, Dos Santos labels this high concentration of income a "high rate of exploitation" (or superexploitation) of labor power.

Third, this unequal production structure has imposed limits on the growth of internal markets in underdeveloped countries. The growth of consumer-goods markets is limited by the low purchasing power of the labor force and by the small number of jobs created by the capital-intensive sector. In addition, the growth of capital-goods markets is limited by the remittance abroad of profits, which carries away part of the economic surplus generated in the domestic economy.

Dos Santos concludes that the economic backwardness of underdeveloped countries is not due to a lack of integration with capitalism. Those studies that say so are "nothing more than ideology disguised as science." Instead, it is the monopolistic control of foreign capital, foreign finance, and foreign technology at national and international levels that prevents underdeveloped countries from reaching an advantageous position, resulting in the reproduction of backwardness, misery, and social marginalization within their borders.

AMIN: TRANSITION TO PERIPHERAL CAPITALISM

Amin's (1976) theory of the transition to peripheral capitalism has the following key assertions. First, transition to peripheral capitalism is fundamentally different from transition to central capitalism. The onslaught from without carried out by central capitalism upon the precapitalist formations caused certain crucial retrogression to take place. For example, local crafts were destroyed without being replaced by domestic industrial production. Amin notes that the agrarian crisis of the contemporary Third World is largely a result of these setbacks.

Second, peripheral capitalism is characterized by *extraversion*—the distortion toward export activities. Amin (1976, p. 200) points out that "extraversion does not result from inadequacy of the home market but from the superior productivity of the center in all fields, which compels the periphery to confine itself to the role of complementary supplier of products for the production of which it possesses a natural advantage: exotic agricultural produce and minerals." With such extraversion distortion, the level of wages in the periphery becomes lower than that at the center.

Third, another form of distortion is the *hypertrophy* of the tertiary sector at the periphery. At the center, hypertrophy of the tertiary sector reflects the difficulties in realizing surplus value in monopoly capitalism, so more resources have to be spent in the marketing and the accounting of commodities. However, at the periphery, hypertrophy of the tertiary sector is mainly a result of the contradictions inherent in peripheral capitalism, namely, slug-

gish industrialization, increasing unemployment, desperate migration from rural to urban areas, and so on. According to Amin, this hypertrophy of unproductive activities hampers capital accumulation in peripheral countries.

Fourth, the theory of the multiplier effects of investment cannot be extended in a mechanical way to the periphery. At the center, the Keynesian multiplier does work in monopoly capitalism, but at the periphery, the export of the profit of foreign capital has nullified this multiplier effect. Instead of benefiting the periphery, the export of foreign profit transfers the multiplier effect from the periphery to the center, serving to accelerate the latter's development.

Fifth, Amin warns that researchers should not confuse underdeveloped countries with the now-advanced countries as they were at earlier stages of their development. This is because underdeveloped countries possess the following distinctive structural features: (1) the extreme unevenness that is typical of the distribution of productivity at the periphery, (2) disarticulation due to the adjustment of the orientation of production at the periphery to the needs of the center, and (3) economic domination by the center, which is expressed in the forms of trade and financial dependence.

Sixth, as a result of the above structural features of underdevelopment, it necessarily leads to the blocking of the growth of the peripheral countries. In other words, peripheral capitalism is unable to attain autocentric and autodynamic economic growth without challenging the domination of foreign monopolies and central capitalism.

Finally, the specific form of underdevelopment assumed by these peripheral formations depends upon (1) the nature of the precapitalist formation that was there previously, and (2) the forms and the periods in which the peripheries were integrated into the capitalist world-system. However, while not neglecting the differences among peripheral countries, Amin asserts that they all tend to converge toward a typical model, characterized by the dominance of agrarian capital, comprador or commercial capital, and central capital. And with the domination of central capital over the system as a whole, this model severely limits the development of peripheral national capitalism.

BASIC ASSUMPTIONS OF THE DEPENDENCY SCHOOL

Like the modernization school, the dependency school is highly heterogeneous. Its members come from many social science disciplines, focus on different countries in Latin America as well as on other regions, and have different ideological orientations and political commitments. Nevertheless, members of the dependency school tend to share the following basic assumptions (see Blomstrom and Hettne 1984, p. 71-76).

1) First, dependency is seen as a very general process, applicable to all Third World countries. The aim of the dependency school is to outline the general pattern of dependency in the Third World throughout the history of capitalism from the sixteenth century to the present. Thus national variations and historical complexity are downplayed in order to present the "ideal type" construct of dependency.

2) Second, dependency is understood to be an external condition, that is, imposed from the outside. The most important obstacle to national development, therefore, is not lack of capital, entrepreneurial skills, or democratic institutions; rather, it is to be found outside the domain of the national economy. The historical heritage of colonialism and the perpetuation of the unequal international division of labor are the greatest obstructions to the national development of Third World countries.

3) Third, dependency is analyzed mostly as an economic condition. It is seen as a result of the flow of economic surplus from Third World countries to Western capitalist countries. Thus Third World countries generally suffer from declining terms of trade with Western countries.

4) Fourth, dependency is treated as a component of regional polarization of the global economy. On the one hand, the flow of surplus from Third World countries leads to their underdevelopment; on the other, the development of Western countries is benefited by this influx of economic surplus. Thus underdevelopment in the periphery and development in the core are two aspects of a single process of capital accumulation, leading to regional polarization in the global economy.

5) Finally, dependency is seen as incompatible with development. Is development possible in the periphery? For the dependency school, the answer is generally no. Although minor development can occur during periods of isolation, such as during a world depression or a world war, genuine development in the periphery is highly unlikely with the continual flow of surplus to the core.

POLICY IMPLICATIONS OF THE DEPENDENCY SCHOOL

Proponents of the dependency school feel that there is a need to redefine the term *development*. It should mean more than just more industry, more output, and rising productivity. Instead, it should be defined in terms of improving the living standard for all the people in the periphery. Thus developmental programs should not cater to elites and urban dwellers, but should attempt to satisfy the human needs of rural peasants, the unemployed, and the needy. Any developmental program that benefits only a small sector at the expense of the suffering majority is no good at all.

What are the political implications of the dependency perspective? It appears that the dependency school's views are exactly opposite to those of the modernization school. As the modernization school proposes that the periphery should receive more contacts (more aid, more technology, more modern values) from Western countries, the dependency school argues that it is harmful for peripheral countries to have more contact with core countries. In fact, the dependency school asserts that the periphery has too much harmful core contact already. Since the era of colonialism, the political economy of the periphery has been totally restructured to suit the needs of the core, thereby leading to the development of underdevelopment.

Consequently, the dependency school suggests that peripheral countries should sever their ties with core countries. Instead of relying upon foreign aid and foreign technology, peripheral countries should adopt a self-reliance model—relying upon their own resources and planning their own paths of development so as to achieve independence and autonomous national development.

Self-reliance, of course, does not mean complete isolation from other nation-states. It means only that peripheral countries should not be dominated by core countries. They should trade with other peripheral countries on equal and mutually beneficial terms.

From the dependency school perspective, the old elites in peripheral countries most likely would not accept such a complete break from core countries and their multinationals. The interests of the old elites are too closely tied to foreigners for them to accept such an option. As a result, many dependency researchers propose that a socialist revolution may be necessary for a country to get rid of the old ruling elites. In the words of Chilcote and Edelstein (1974, p. 21), "Development requires the profound alteration of economic, social, and political relationships in the overthrow of the market and the mobilization of domestic populations in a nationally oriented effort. Thus, development requires the elimination of foreign penetration, which supports the status quo, and the creation of a socialist context for development." Only when there is a new power group whose mission is to satisfy the human needs of the peasantry and the workers would the radical policies of total restructuring be carried out, as is revealed by the experience of the Chinese and Cuban revolutions.

COMPARISON OF THE DEPENDENCY AND MODERNIZATION SCHOOLS

In conclusion, it may be useful to review the extent to which the classical dependency perspective is similar to and different from the classical modernization perspective (see Table 5.1 for a summary).

Similarities

First, the two classical perspectives share the same research focus: They are concerned with Third World development, and they want to find out what factors promote Third World develop-

Table 5.1 Comparison of Classical Modernization Perspective and Classical Dependency Perspective

	Classical Modernization Perspective	Classical Dependency Perspective
Similarities		
research focus	Third World development	same
methodology	high-level abstraction, focus on the general process of development	same
polar theoretical structure	tradition versus modernity	core versus periphery
Differences		
theoretical heritage	evolutionary and functionalist theories	ECLA program and radical neo-Marxist theories
causes of Third World problems	mostly internal	mostly external
nature of national linkages	generally beneficial	generally harmful
prediction for direction of development	optimistic	pessimistic
solutions for development	more Western linkages	fewer core linkages, socialist revolution

ment. Second, the two perspectives adopt similar methodologies. They anchor their discussions at a highly abstract level, with an eye toward explaining the very general process of development applicable to all of the nations. Third, the two perspectives have developed a polar theoretical framework, although the classical modernization perspective tends to call it "tradition versus modernity" while the classical dependency perspective calls it "core (metropolis) versus periphery (satellite)."

Differences

Despite the above similarities, these two classical perspectives in fact differ from each other in basic ways. First, they come from different theoretical backgrounds. The classical modernization perspective is strongly influenced by European evolutionary theories and American functionalist theories, while the classical dependency perspective is strongly influenced by the liberal ECLA program and radical neo-Marxist theories.

Second, with respect to the causes of Third World problems, the classical modernization perspective offers an internal explanation, pointing to such traits as traditional culture, lack of productive investment, and absence of achievement motivation in Third World countries. The classical dependency perspective, in contrast, offers an external explanation, stressing the roles played by colonialism and neocolonialism in shaping the underdevelopment of Third World countries.

Third, the classical modernization perspective characterizes the linkages between Third World countries and Western countries as beneficial. From this perspective, Western countries are assisting Third World countries to develop. The classical dependency perspective, on the other hand, sees the linkages as harmful—Western countries are exploiting Third World countries for their own benefits.

Fourth, in predicting the future direction of development, the classical modernization perspective is generally optimistic. With patience, Third World countries will eventually catch up with Western countries and modernize themselves. The view of the classical dependency perspective concerning the future of Third World countries is pessimistic. If the present exploitative linkages remain unchallenged, Third World countries will become more and more dependent on Western countries, leading to further underdevelopment and bankruptcy.

Finally, regarding solutions to the backwardness of Third World countries, the classical modernization perspective has advocated more linkages with Western countries, such as more foreign aid, more cultural exchanges, and more technological transfers. Classical dependency researchers offer a totally different approach. They

advocate reduction of core linkages so that Third World countries may attain autonomous, independent development, and they realize that radical socialist revolution may be required to achieve this goal. Examples of classical dependency studies incorporating the orientations discussed above are presented in the next chapter.