

CONFRONTING GLOBAL NEOLIBERALISM

Third World Resistance and Development Strategies



edited by **RICHARD WESTRA**

CONFRONTING GLOBAL NEOLIBERALISM

**CONFRONTING
GLOBAL
NEOLIBERALISM
THIRD WORLD RESISTANCE
AND DEVELOPMENT
STRATEGIES**

EDITED BY

RICHARD WESTRA



CLARITY PRESS, INC.

© 2010 Richard Westra
ISBN: 0-932863-61-2
978-0-932863-61-4

In-house editor: Diana G. Collier

ALL RIGHTS RESERVED: Except for purposes of review, this book may not be copied, or stored in any information retrieval system, in whole or in part, without permission in writing from the publishers.

Library of Congress Cataloging-in-Publication Data

Confronting global neoliberalism : third world resistance and development strategies / edited by Richard Westra.

p. cm.

Includes bibliographical references and index.

ISBN-13: 978-0-932863-61-4

ISBN-10: 0-932863-61-2

1. Developing countries--Economic policy. 2. Neoliberalism--Developing countries. 3. Globalization--Economic aspects--Developing countries. 4. Globalization--Social aspects--Developing countries. I.

Westra, Richard, 1954-

HC59.7.C6282 2010

338.9009172'4--dc22

2009045326

Clarity Press, Inc.
Ste. 469, 3277 Roswell Rd. NE
Atlanta, GA. 30305, USA
<http://www.claritypress.com>

TABLE OF CONTENTS

Notes on the Contributors / 9

Preface and Acknowledgements / 12

Introduction: Development Theory and Global Neoliberalism / 15
Richard Westra

Part I BRIC and the Neoliberal “Emerging Market” Myth

Introduction to Part I / 37

Chapter 1

“Late Neoliberalism” in Brazil:

Social and Economic Impacts of Trade and Financial Liberalization / 39
Paul Cooney Seisdedos

Chapter 2

Neoliberalism in India:

How an Elephant became a Tiger and Flew to the Moon / 67
Ananya Mukherjee Reed

Chapter 3

Limits to China’s Capitalist Development:

Economic Crisis, Class Struggle, and Peak Energy / 88
Minqui Li

Part II Resistance and Alternatives to Global Neoliberalism

Introduction to Part III / 99

Chapter 4

Cuba: A Project to Build Socialism in a Neoliberal World / 101
Al Campbell

Chapter 5

Venezuela’s Oil Based Development in the Chavez Era / 117
Gregory Wilpert

Chapter 6

African Resistance to Global Finance, Free Trade
and Corporate Profit-Taking / 144
Patrick Bond

Part III Miracles or Mirages under Global Neoliberalism

Introduction to Part III / 167

Chapter 7

Miracles and Crisis:

Boom, Collapse and Recovery in East and Southeast Asia / 170

John Weeks

Chapter 8

The Chimera of Prosperity in Post-IMF South Korea

and the Alter-globalization Movement / 192

Seongin Jeong and Richard Westra

Chapter 9

Consequences of Neoliberal Economic Globalization in Thailand / 204

Ake Tangsupvattana

Chapter 10

A Comparative Study of Neoliberalism in Syria and Egypt / 217

Angela Joya

Chapter 11

The Exhaustion of Neoliberalism in Mexico / 235

Cliff DuRand

Endnotes / 245

Name Index / 271

Subject Index / 273

Notes on the Contributors

Patrick Bond, a political economist, is research professor at the University of KwaZulu-Natal School of Development Studies where he directs the Centre for Civil Society (<http://www.ukzn.ac.za/ccs>). His training was in economic geography at Johns Hopkins University, finance at the University of Pennsylvania, and economics at Swarthmore College. Patrick's recent authored and edited books include *Climate Change, Carbon Trading and Civil Society* (UKZN Press and Rozenberg Publishers, 2008); *The Accumulation of Capital in Southern Africa* (Rosa Luxemburg Foundation, 2007); *Looting Africa: The Economics of Exploitation* (Zed Books and UKZN Press, 2006), *Talk Left, Walk Right: South Africa's Frustrated Global Reforms* (UKZN Press, 2006); *Elite Transition: From Apartheid to Neoliberalism in South Africa* (UKZN Press, 2005); *Fanon's Warning: A Civil Society Reader on the New Partnership for Africa's Development* (Africa World Press, 2005); and *Against Global Apartheid: South Africa meets the World Bank, IMF and International Finance* (Zed Books and University of Cape Town Press, 2003). Patrick was the drafter of 15 policy papers for the South African government from 1994-2001, and before that worked in the NGO sector in Johannesburg for several years. He was born in Belfast, Northern Ireland in 1961; grew up in Alabama and Maryland; and moved permanently to Southern Africa in 1989 following work in the media (Marketplace Radio and Pacifica Radio) and at the Institute for Policy Studies in Washington, DC.

Al Campbell is a professor of economics at the University of Utah in the United States. His research interests are focused on theoretical and empirical issues concerning the political economy of contemporary capitalism and its transcendence. His work has appeared in numerous international peer reviewed journals including *Review of Radical Political Economics*, *Science and Society* and *Critique*.

Paul Cooney Seisdedos received his doctorate in Economics from the New School for Social Research in 1990. He has worked at the United Nations and at several universities, including the University of Buenos Aires in the early 1990s, Queens College in New York and currently at the Universidade Federal do Pará in the Brazilian Amazon since 2006. He has conducted research and published in the areas of economics and environmental science. His research includes the following topics: NAFTA and the issues of labor and the environment in *maquiladoras*, analysis of the neoliberal experiences in Argentina, Brazil and Mexico, the general law of capitalist accumulation in Latin America, international transfers of value and unequal exchange, competition and monopoly, and air transport of pesticides and dioxin. His current areas of research include globalization and accumulation in the Brazilian Amazon, deforestation and ecology, the free trade zone of Manaus, as well the current crisis and the role of fictitious capital. He has publications in several scholarly refereed journals, such as: *Latin American Perspectives*, *Revista de Economia Contemporânea* and the *Revista de Economia, UFPR*. He is also a member

of the editorial board of the international journal *Capitalism, Nature, Socialism* and has served on the steering committee and as treasurer for the Union for Radical Political Economics.

Cliff DuRand is a founder and Research Associate at the Center for Global Justice located in San Miguel de Allende, GTO Mexico. He holds a Ph.D. in Social Philosophy from Florida State University and taught Philosophy at Morgan State University in Baltimore for 40 years.

Seongjin Jeong is a professor of economics and the Director of Graduate Program of Political Economy at Gyeongsang National University, South Korea. He is also the Editor of *MARXISM 21*, a representative Marxist journal in South Korea. He received his PhD from Seoul National University, and has written widely on Marxism and the Korean economy, including articles in *Review of Radical Political Economics* and *Rethinking Marxism*. Some of his works, especially *Marx and the Korean Economy* (2005), *Marx and Trotsky* (2006), and *Marxist Perspectives on South Korea in the Global Economy* (Ashgate 2007), a volume he co-edited and contributed to, are received as major contributions to the development of classical Marxism in Korea. He has also translated some Marxist works into Korean, including books by Robert Brenner, Alex Callinicos, Tony Cliff and Roman Rosdolsky.

Angela Joya is a PhD candidate in the department of Political Science at York University. She is currently completing her dissertation titled "Building Capitalism in Egypt: A Study of the Construction and Housing Sectors, 1991-2004". She has recently published an article titled "Syria's Transition, 1970-2005: From Centralization of the State to Market Economy" in the journal *Research in Political Economy*. She has also written and published on US imperialism in the Middle East. Her future research project will examine the internationalization of the State in Afghanistan.

Minqi Li received his PhD in economics from University of Massachusetts Amherst in 2002. He taught political science at York University, Canada, from 2003 to 2006. Since 2006, he has been teaching economics in University of Utah. His recent book: *The Rise of China and the Demise of the Capitalist World Economy* was published by Pluto Press and Monthly Review Press in 2009.

Ananya Mukherjee Reed is Associate Professor in the Department of Political Science at York University, Toronto, Canada. She is also director of the International Secretariat for Human Development (ISHD) at York. Her most recent book is, *Human Development and Social Power: Perspectives from South Asia* (London: Routledge, 2008). The book attempts to develop a critical conceptualization of human development by focusing on the three dimensions of political-economy, difference and agency. Her earlier publications include an edited volume *Corporate Capitalism in Contemporary South Asia: Conventional Wisdoms and South Asian Realities* (Basingstoke: Palgrave 2003); *Perspectives on India's Corporate Economy: Exploring the Paradox of Profits* (Basingstoke: Macmillan, 2001); and numerous articles in international refereed journals.

Ake Tangsupvattana is Associate Professor at the Faculty of Political Science, Chulalongkorn University, Bangkok. He is also Associate Dean for Academic and International Affairs and was a University Council Member. He obtained his BA in Political Science from Chulalongkorn University, Thailand, and MA in Political Theory and Ph.D. in Sociology from the University of Essex, England. His major research interests are in globalization, governance, the relations between politics and business, the role of transnational corporations, especially in the context of corporate social responsibility. His recent international publications are as follows: "Driving the Juggernaut: From Economic Crisis to Global Governance in Pacific Asia" in *Pacific Asia 2022: Sketching Futures of a Region*, Japan Center for International Exchange (2005); 'Thailand Election 2005: Towards Authoritarian Populism or Participatory Democratic Governance' in *Elections in Asia: Making Democracy Work?*, Marshall Cavendish International (Singapore) Private Limited (2006); Co-principle researcher "National Integrity Systems: Transparency International Country Study Report – Thailand 2006", Transparency International.

John Weeks is Professor Emeritus of Development Economics, School of Oriental and African Studies, University of London. He is author of numerous books on development, political economy and economic theory. His research in Southeast Asia has been on Indonesia and Vietnam. In addition to his academic work he is the principle author of macroeconomic studies for the United Nations on Vietnam, Zambia and Moldova.

Richard Westra has taught at universities around the world including Queen's University and Royal Military College, Canada; International Study Center, East Sussex UK; and the College of The Bahamas, Nassau. He has been a Visiting Research Fellow at Focus on the Global South/Chulalongkorn University Social Research Institute, Chulalongkorn University, Bangkok Thailand and is currently Associate Professor in the Division of International and Area Studies, Pukyong National University, Pusan, South Korea. His work has been published in numerous international scholarly refereed journals including *Journal of Contemporary Asia*, *Review of International Political Economy*, *Review of Radical Political Economics* and *Historical Materialism*. He is author of *Political Economy and Globalization*, Routledge 2009 and co-edited and contributed to *Political Economy and Global Capitalism: The 21st Century, Present and Future*, Anthem 2007 and *Marxist Perspectives on South Korea in the Global Economy*, Ashgate 2007.

Gregory Wilpert is adjunct professor in political science at Brooklyn College's Graduate Center for Worker Education and is founder and editor of the website Venezuelanalysis.com. He received his Ph.D. in sociology from Brandies University in 1994 and in 2000 received a Fulbright grant to teach and do research at the Central University of Venezuela. He ended up living in Venezuela for eight years, where he wrote articles on Venezuelan politics for publications such as the *New Left Review*, *Le Monde Diplomatique*, *Z Magazine*, NACLA Report on the Americas, among many others. He is the author of *Changing Venezuela by Taking Power: The History and Policies of the Chávez Government*, Verso 2007.

PREFACE AND ACKNOWLEDGMENTS

With the world's attention transfixed on the travails of the leading global economies in an unfolding financial crisis of gigantic proportions, there has been a rather disturbing silence on the fate of the third world—those states referred to over the past several decades as the “developing world”, “emerging markets”, “global south”, and so forth—as the malaise increasingly impacts them. I say disturbing because questions of potential pitfalls in the neoliberal policy package, adopted with little choice by the third world (unlike Western Europe and Japan), were never countenanced: third world state after third world state discovered international institutions effectively hostile to their existence if they chose alternative models of economy.

As the governments of the United States, Britain, Germany, France and others scurry with fistfuls of cash—trillions of dollars for that matter—to essentially purchase private businesses ranging from the world's major automobile companies to insurance companies, to “save” them, there is little recall of the fact that for decades, third world states' governments found themselves excoriated in international economic intercourse for seeking to protect what were often clearly viable public companies or striving to publicly fund key national industrial projects or even social projects such as health care.

The new-fangled financial instruments captured under the rubric “securitization” which are front and center in the current economic meltdown were initially experimented with in the third world. Following the first global “debt crisis” of the post-World War II period, that of the early 1980s, a way of transferring “risk” in international lending from lenders to borrowers was instituted by eliminating the exposure of particular banks to third world indebted states through the repackaging of “loans” as marketable securities. Not only were the risks associated with financing zero sum neoliberal experiments in the third world spread around a phalanx of private financial intermediaries but, at the first sign of economic trouble in a given third world state or region, securitization enabled global lenders to rapidly desert such economies with most of their “investments” in hand and retreat to the safe havens of the powerful economies of their roots leaving a scorched earth of misery, destitution and economic collapse in their wake. As the major economies like the US face a potentially similar scenario, however, their political leaders' jet set across the globe beseeching investors not to abandon them and continue to hold the virtually worthless “assets”.

The chapters in this collection constitute a veritable tour de force of countering not only the neoliberal ideology of development as a whole but the collective amnesia over past neoliberal exhortations to the third world and the marginalizing within mainstream crisis discourse of today

any discussion of the suffering of third world peoples and the monstrous misallocation of global resources to the detriment of third world societies wrought by the so-called "Washington Consensus".

From the introductory chapter which traces the ebbs and flows in development thinking over the past two centuries through the chapters on specific development cases and regions, this book also points to the grim future portended by the neoliberal course; a situation only exacerbated by the current economic malaise. This edited volume is intended as both a textbook for introductory classes in global development or area studies and as a conduit for advanced students, policymakers, NGO activists and an educated readership to gaining knowledge about the socio-economic conditions existing across much of the world we live in and the neoliberal policies at the root of these. It also provides inspiring examples of ways in which third world states have resisted neoliberal policy and the struggles and international condemnations they have faced, and continue to face it may be added, even as the bankruptcy of neoliberal policy has been so vividly exposed in the current world economic meltdown.

The present volume is unique in both the breadth and depth of its analysis. The specially commissioned and peer reviewed chapters are written by experts in the fields of economics, politics, sociology and international studies. Chapter authors hail from around the world including: Brazil, Canada, United States, United Kingdom, South Africa, South Korea, Mexico and Thailand. Each chapter also draws upon the authors contributions to critical development theory as well as their mastery of empirical questions. The countries/regions neoliberal experiences and potential futures covered in this book are: Brazil, China, Cuba, Egypt, Mexico, Southeast Asia (Indonesia, Malaysia and Vietnam), South Africa, South Korea, Syria, Thailand and Venezuela.

As this book's editor I would like to thank all the chapter contributors for their efforts in producing excellent work. Editorial assistance was provided by Alan Campbell. The editing of the book was completed during my 2008-9 sabbatical at Focus on the Global South, Chulalongkorn University, Thailand. Finally, I wish to thank the Editorial Director at Clarity Press, Diana G. Collier, for her patience in seeing this book through.

INTRODUCTION

DEVELOPMENT THEORY AND GLOBAL NEOLIBERALISM

Richard Westra

Whether explicitly problematized or secreted tacitly into the analysis at the root of all theories of development is a particular conceptualization of capitalism and concomitant view of the impact capitalism has had in shaping modern history. This, of course, is not to suggest that societies antedating capitalism had absolutely no notion of development, only that in the largely agricultural milieu of the pre-capitalist feudal era in Europe (and like societies in Asia) the tortuously slow processes of economic change mitigated against any sustained need for elaboration of such a concept. In other words, though development studies commences as an academic field only in the period following World War II (WWII), interest in development broadly conceived (development itself was initially conceptualized in terms of a universal notion of human progress¹), emerges in tandem with the rise and spread of capitalism.

The originators of the major traditions of economic thought on capitalism—Adam Smith and Karl Marx—while holding radically divergent understandings of the fundamental modus operandi of capitalism, both saw capitalism as a positive transformatory force and the capitalist marketizing of economic life as a process tending to diffuse across the globe. Smith, seeking to explain the novel upsurge in production of material wealth under capitalism, offered a teleological argument for development. He maintained that capitalist wealth creation springs from an innate human propensity to “truck and barter” which increasingly bears fruit to the extent the division of labor in society becomes more complex through the growth of markets and trade. Though Smith and the “classical” political economists following him were largely interested in capitalist development of Britain and Western Europe, they nevertheless uncritically assumed the world beyond this zone to be in a state of so-called “backwardness”.² Given the ideological affinity of Smith and influential followers such as David Ricardo with the rising bourgeois class, development was proffered as a matter of

simply eliminating barriers to expanding markets and trade. The economic writings of Smith and Ricardo then largely turned on technical questions of application of their theories in support of capitalist laissez faire state policies.

Marx's approach to questions of the geospatial diffusing of capitalism built on a complex argument over the historical and ontological peculiarity of capitalism. For Marx, the genesis of capitalism resided not in purported transhistorical human psychological propensities but in the crisis and dissolution of the pre-capitalist feudal economy and political ascendancy of the bourgeois class. Marx discerned the ontological uniqueness of capitalism in the way in which marketization broke down the face-to-face, interpersonal economic relations of domination and subordination characteristic of the pre-capitalist economy, replacing these with what he famously described as impersonal "relations between things". Examined from another angle, the conversion of use values or goods that sustained human life, including even the wellspring of social wealth itself—human labor power—into commodities, elevated the commodity and abstract, quantitative logic of market operations to the center of human material intercourse; this in effect *reifying* human economic life. Decades after Marx had passed away, the economic historian Karl Polanyi approached the peculiarity of the capitalist market in terms of what has become a more readily apprehended notion of the economic "disembedding" from the politics, religion, culture, and so forth in which it had been enmeshed since the dawn of human society. Yet, Polanyi's analysis never answered questions of what precisely "caused" the economy as such to suddenly levitate from the social or why, if the economy had always been present, have we have only just become aware of the fact and attempted disciplined study of it.³ So often overlooked, however, are answers Marx had provided to these questions over a century ago. For Marx, though every human society in history necessarily requires at its core a governing economic principle or set of these ensuring its material reproducibility, the very condition of possibility for economic theory resides in the ontological tendency of capitalism to reify human material life. Hence, in the commodity economic chrematistic of the capitalist market, the material economic relations of use value production without which human society would be impossible are rendered transparent, amenable to being theorized for the first time in human history. Approached from another angle, in market subsuming of human economic intercourse it is not just a question of the economy disembedding or levitating from the social a-la-Polanyi. Rather, it is a peculiar incidence of an historically constituted object in the social world—the human material relations of the capitalist commodity economy—"taking on a life of its own"; where capital then wields the social (the politics, religion, ideology, and so forth with which the economic had historically been enmeshed) as an "extra-human force" for its own self-aggrandizement—the augmenting of value or profit-making.⁴ Thus, it is precisely because the *modus operandi* of capitalism is impersonal, self-abstracting and self-synthesizing that we are able to analyze its fundamental operations or inner logic in abstract theory.

In Marx's lifetime it did appear that the commodity economic force of marketization was in fact purging economic life in Britain of all pre-capitalist non-economic encumbrances and Marx expected the capitalist synthesizing of human material life to proceed as such across the globe: Though Marx also believed the working class in the capitalist heartlands of Britain and Western Europe would organize to challenge capitalism, leading to its dismantling long before a "pure" global capitalist economy ever materialized, and that a socialist kingdom of freedom would be emplaced as the human future. Marx, hence, did initially concur with classical political economists' characterization of the world beyond Britain and Western Europe as backward. And numerous quotations may be culled from his writings in which he speaks somewhat disparagingly of peoples living in societies outside Britain and Western Europe (and British "white settler" colonies). However in his later empirical work on the "colonial question", Marx demonstrated a greater degree of sensitivity to the plight of dominated peoples under the thrust of colonial expansion and arguably countenanced the possibility that colonization could obstruct development of capitalism.⁵ Nevertheless, in his primary economic writing—*Capital*—Marx never problematized the relation between the logical self-synthesizing tendencies of capitalism which informed his economic theory construction and the actual course of capitalist history; this leading to gross misapprehensions of his work (we will deal with these below).

Considerations on development by both major traditions of economic thought remained largely frozen in this vein through the first half of the twentieth century. Bourgeois economics turned "inwards", shifting the course of economic theory away from the classical economists' concern with production of wealth toward the narrow "neoclassical" fixation upon the distribution of resources among competing ends—a move which dogmatically accepts capitalist development as a *fait accompli*. Neoclassical proponents devoted their attention to mathematizing their field and refining a theory of relative prices to explain how market forces of supply and demand purportedly realize an "optimal" allocation of resources in a "static" equilibrium.⁶ Leon Walras' *Elements of Pure Economics* is a forerunner here. Followers of Marx, such as Rudolf Hilferding and V. I. Lenin, turned "outwards", away from examining the fundamental *modus operandi* of capitalism toward theorizing of "imperialism" as a way of explaining both the persistence of capitalism into the twentieth century and absence of socialist revolution. To the extent theories of imperialism touched on the fact that by the time of World War I (WWI) virtually all of the globe was in the colonial embrace of the dominant imperialist powers—the formative Western European capitalist developers plus the United States (US) and Japan—this effort was driven by interest in the aforementioned points of capitalism's perduring, not in questions relating to the development future (capitalist or otherwise) of the dominated states. Indeed, during the inter war years, as the Soviet Union (SU) consolidated what was hailed as the world's first socialist revolution, the prescription it offered to states yoked

by colonialism and seeking a revolutionary path to liberation and socialist development, as in the case of nascent socialist aspirations of China under Mao Zedong, was simply to foster capitalist development as a precondition for socialism, with little attention devoted to the issue of whether capitalist development could proceed in such an environment.

Development Theory and International Decolonization

Development theory as a field of study arises within the twin contexts of wholesale processes of formal decolonization that swept across the globe in the aftermath of WWII and that of the Cold War waged between the US and SU, around which international politics was configured from the 1950s to the unceremonious fall of the SU in 1989. The formative approach to the field and that which arguably shaped its evolution was “modernization theory”. Modernization theory follows classical bourgeois economics in proffering a teleological view of development; such purportedly commencing in an original state of so-called backwardness a-la-Adam Smith and culminating in the attainment of “modernization” in the image of dominant capitalist states. The development policy prescriptions of modernization theory flow largely from the a-historical tenets of bourgeois neoclassical economics and essentially amount to a tautology. That is, “market society” (read capitalism) is blithely assumed to be synonymous with economic growth (development). As the telos of history “modern” (again, meaning capitalist) societies come into being as market economic intercourse expands and levels of savings and investment rise to facilitate deployment of available advanced technologies. According to modernization theory, in a world of independent states, international relations among states play no role in shaping development prospects. World development, quite simply, will proceed optimally when trade among independent states is based upon market rational prices and comparative advantage (the view that countries should specialize in producing goods for which they have factor—land, labor or capital—suitability).

By the mid-1960s, however, well after decolonization had largely been completed the world over, modernization theory was beset with a credibility gap as it increasingly became evident that development characteristic of the dominant capitalist states was not occurring in what had become known as the “third world”,⁷ beyond the capitalist heartland. Taking up the challenge of explaining why this was the case were a raft of critical/radical theories of development. Instructively, these drew upon internal critiques of the two opposing traditions of economic thought—mainstream bourgeois economics and Marxism. Let us look at the internal critique of mainstream economics and modernization theory first. Latin America had in fact experienced decolonization a half century or more prior to that of the rest of the third world. Insights gained from the study of Latin American development as such entered the public domain and the wider development debate through the work of the Economic Commission for Latin America

(ECLA) created as a regional body of the United Nations (UN) in 1948.⁸ Under the aegis of ECLA director Raul Prebisch, a view emerged of an increasingly asymmetric world economy in which the configuring of global trade according to dictates of mainstream economic textbooks conferred advantages upon the already industrialized economies. That is, specializing in raw material production became a road to serfdom for the third world rather than one of shared benefits of industrial progress. It led to an international economic structure of wealthy “center” economies exporting industrial goods, the prices of which tended to rise, and impoverished “peripheral” economies of the third world exporting raw materials and foodstuffs subject to falling prices, and to a process of “unequal exchange” with the center. To counter this, the ECLA advocated that third world states seek to deploy foreign investment in efforts to diversify their economies through import substitution industrialization (ISI) supported by state policy.

We need not devote time to discussing the obvious mainstream bourgeois economics critique of the ECLA argument. The ambivalence in the empirics of the ECLA position at the juncture of the 1950s, when their thesis was first advanced, no longer remains as history has clearly exposed the road to serfdom for most third world economies “specializing” in raw material production as well as modalities of unequal exchange operating beneath the veneer of so-called comparative advantage. More trenchant, however, was critique from the radical Left which questioned ECLA claims that multinational corporations (MNCs) were a benign force for transferring technologies as third world countries soon discovered whole sectors of their economies usurped by MNCs. As well, the early efforts of ISI foundered on shoals of burgeoning debt at the precise point at which the process of substituting domestic production for imports turned from that devoted to production of light consumer goods toward capital goods and the goal of full-scale industrialization.⁹

Ultimately, it was through the interfacing of ECLA analysis with Marxism that radical critique of modernization theory was rendered more potent. But Marxism had also to be put through a process of internal questioning. The problems Marxism faced originated in the fact that it was saddled with its own unidirectional theory of history—historical materialism (HM)—which, with varying degrees of ascribed necessity (a signal point of controversy in Marxist circles), held that the evolution of human society was marked by broad epochs of historical development or “modes of production”, through which all societies passed, culminating in socialism. Further, HM was largely accepted as the master environment for the development of other regions of Marxist theory and research. Thus, Marx’s economic study of capitalism in his *Capital* was recruited as simply a sub-theory of historical materialism, a sub-theory which purportedly confirmed the prognosis of historical materialism.

Linking Marxian analysis of international accumulation, as it had been developed by theorists of imperialism, to ECLA work, proceeded through the writings of Paul Baran¹⁰ and involved a challenge to the received

linear view of capitalist development. Baran argued that the post-WWII economy had entered a monopoly “phase” in which capitalism was no longer characterized by dynamism but by stagnation. Baran was also a pioneer in focusing Marxian eyes on the third world directly. He maintained the so-called backwardness of third world countries was not a vestige of pre-capitalist modes of production but followed from capitalist development itself. Further, that capitalism as a “world system” was not a homogeneous entity but a hierarchical structure in which more developed countries exploited less developed ones by siphoning off part of what he refers to as their “economic surplus”; the loss of which then imparts to those states all the economic features modernization theory interpreted as backwardness. Finally, if capitalism could no longer guarantee development of much of the world then the inescapable solution for development was for the third world to follow a socialist path.

It would be the writings of Baran, then, which led to the formulation of what constitutes one of the major enduring approaches to development studies—*dependency theory*. Here, I am using dependency theory as an umbrella term for critical theories of “underdevelopment”, “unequal exchange” or “world system”. Without going into conceptual wrangling amongst approaches, dependency theories share the following assumptions: First, they seek to anchor the study of development within understandings of the economic logic of capitalism. Dependency theories claim this logic not only engenders class division and significant social inequalities in “national” capitalist contexts but, in world economic interaction between developed and less developed states, yields economic outcomes in the latter qualitatively different from what capitalism produces in the former. In effect, the interaction spawns a “world system” marked by glaring and persistent social division and inequality. This insight enters a *unit of analysis* question into development theory and problematizes international relations. Second, dependency approaches characterize the capitalism of the third world largely in terms that reflect what they perceive as its peculiar economic orientation vis-à-vis the world economy and developed states (“dependent”, “extroverted”, “peripheral” and so on); and then contend that this particular orientation is at the root of persisting third world underdevelopment (what modernization theory had misread as backwardness). Third, dependency approaches dismiss outright neoclassical economics’ theory of comparative advantage and free trade: they view the latter as providing ideological cover for the unequal exchange occurring in international economic intercourse between dominant producers and exporters of industrial goods and the economies of the world based on primary production. Fourth, the policy implications of dependency theory involve some measure of “delinking” from the world economy to build an “introverted” capitalism under the banner of ISI (ECLA never advocated delinking) or, in the most radical incarnations of the theory, build a socialist economy as urged by Baran. This placed a spotlight upon the *state*—its’ economic or class character, international orientation, and so on—as the organized force of development policy direction.