

RENCANA ULASAN/REVIEW ESSAYS

ON THE ONTOLOGY OF DEPENDENCY

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The basic burden of the article is to present a holistic view of the Dependency Paradigm with reference to its historicity, ontology and micro-macro systems. It delineates some converging common trends out of the morass of analytical diversity and polemics of the paradigm, and in finale, seeks to make a critical evaluation of the dependency model.

Tujuan essei ini ialah untuk mengutarakan suatu pandangan holistik terhadap Paradigma Pergantungan dengan merujuk kepada historisti (pensejarahan), ontology dan sistem mikro-makronya. Ia mengenalpastikan beberapa ciri-ciri bersama daripada kepelbagaian analisis dan polemik yang terdapat dalam penulisan berasaskan paradigma pergantungan. Suatu penilaian kritikal dikemukakan di akhir essei sebagai kesimpulan penulis.

INTRODUCTION

Dependency is a form of unequal international relationship between two sets of countries. One set of countries is called the centre or metropolitan centre, and other set of countries is called the periphery or satellite. The centre represents developed capitalism and the periphery represents underdeveloped region. Dependency is a type of mechanism which can explain the causes of economic development and underdevelopment. The theory of dependency considers the fact that the social and the economic development of less developed countries (LDCs) is conditioned by the external forces which are nothing but the central capitalism. Central capitalism dominates over the relatively poor countries. The metropolitan countries are more powerful capitalist countries, but LDCs are weaker and they also do not have the full-boiled capitalism. According to the dependency theory, underdevelopment can be explained by the fact of relations of dominance over the LDCs.

*My gratitude to the anonymous referee of this journal for some sane suggestions. However, the usual caveat applies.

THE HISTORICITY

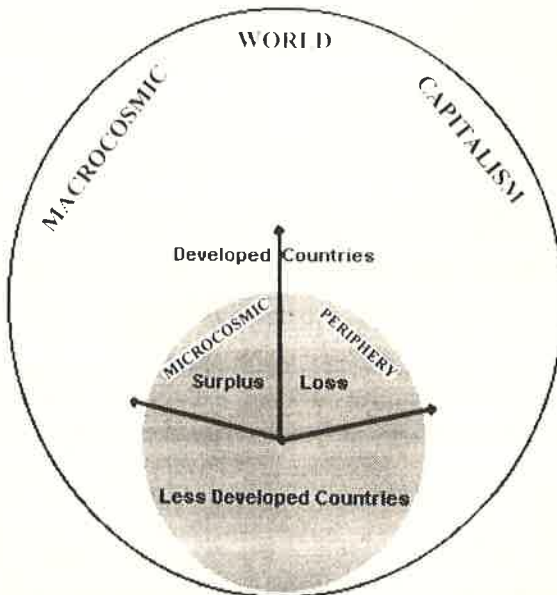
The theory of dependence, in a sense, is originally Marxian in character, because it is based on the concept of exploitation of the weaker LDCs by the capitalist DCs. Secondly, it is Marxian in the sense that it explains development and underdevelopment with reference to capitalistic framework of the centre. The theory was first popularised by Paul Baran in 1957 in his book, *The Political Economy of Growth*. Baran is regarded as the father of modern dependency theory. After Baran, it was subsequently developed by many other illustrious scholars like Frank, Samir Amin, Emmanuel, Furtado and others. It must be pointed out that although the theory of dependency originally started as a Marxist theory, later on many changes were incorporated into the theory, which departed significantly from the classical Marxist proposition. For example, the theory of dependency, unlike the classical Marxist theory, is analysed in terms of exchange relations and not in terms of production relations. Thus, in a sense, a dependency theory cannot be called a proper Marxist theory. However, it is regarded as Neo-Marxist or a Radical theory. There are many writers who have contributed to the development of the theory of dependency. But, there are considerable variations in their attitude and explanation of the basic postulates of the theory, and they also significantly differ from one another in terms of many nuances of the theory. However, one can still find some general trend and thematic similarity of many writers on certain broad and basic points. In the present analysis, we will stick to this broad thematic presentation.

The theories of dependency, as given by scholars, are mainly concerned with the impact of imperialism and neocolonialism on the economies and societies of LDCs. The theory of dependency, it is claimed, can explain the global operation of the capitalist system during the neocolonial era, while accounting for the presence of some colonial features of LDCs, and the dependence of LDCs on the DCs for the development of their poor economies.¹ Dependency arises because "some countries can expand through self-impulsion while others, being in a dependent position, can only expand as a reflection of the dominant countries, which may have positive or negative effects on their immediate development".² According to Dos Santos, dependency is a conditioning situation in which the economies of one group of countries are conditioned by the development and expansion of other more powerful and developed group of countries.³ Dependency theorists inquire into the reasons for such economic dependency when these countries have political independence.

In Marxist tradition, the genesis of dependency theory can be sought in the failure of the theories of imperialism to explain the underdevelopment of LDCs. Bodenheimer, in this context, defines dependency as the obverse side of a theory of imperialism.⁴ As pointed out earlier, dependency theory is rooted in Marxist tradition where dependency has been distinguished as a formal theory of underdevelopment in contradistinction to a concrete situation of dependency.

MACROCOSMIC AND MICROCOSMIC SYSTEMS

In the theory of dependency, we have the juxtaposition of two systems: macrocosmic system and microcosmic system. The macrocosmic system represents world capitalism which is controlling and influencing its sub-system or microcosmic system (as in the following figure).



The macrocosmic system is economically more powerful, stronger and better organized. It is important to analyse the dependency from the point of view of internal structure (microcosmic system) and external structure (macrocosmic system). However, there are contradictory relations between the microcosmic system and the macrocosmic system. Gradually, the macrocosmic system influences the microcosmic system. Dependency theory speaks of dichotomy or a double system - one subsumed under the other, where the relation between the two is necessarily antagonistic - a two-system zero-sum game i.e. the gain of the macro system is the equivalent loss of the

micro system. By implication, in such a situation, the study of underdevelopment of the weaker micro system is very much related to the stronger system. But the micro system cannot exploit the macrocosmic system because it is already subsumed under the larger macrocosmic system. The idea is that the micro system cannot derive any gain from the macro system. We can now point out some important distinctions between the peripheral microcosmic system and the central macrocosmic system, as in the following chart.

DISTINCTIONS BETWEEN MICROCOSMIC SYSTEM AND MACROCOSMIC SYSTEM

MICROCOSMIC SYSTEM	MACROCOSMIC SYSTEM
Pre-capitalist in orientation	Capitalist in orientation
Poor and backward	Advanced and rich
Producer and exporter of primary products and importer of finished products and technology	Producer and exporter of finished manufactured products and technology, and importer of raw materials and primary commodities.
Capital-poor system. Its surplus is extracted by the macrocosmic system.	Capital-rich system. Its surplus comes from the microcosmic system.
Labour is abundant and cheap.	Labour is scarce and costly.
Since wage is very low at home, and high in DCs, unit import cost is high and export cost is low (unequal exchange working against the system)	Since domestic wage is high, and wage in micro system is low, unit import cost is low and unit export price is high (unequal exchange working in favour of the system).
Cannot develop itself for want of technology and capital.	Already developed, and supplies capital and technology at high prices to the micro system.
Exploited by the macrocosmic system	It is not exploited by any system.
It is dependent on the macrocosmic system.	It is more or less independent.

In such a schematic world structure, the surplus is extracted from the subsumed and dependent microcosmic system by the macrocosmic system. Thus, there is apoplexy in the centre and anaemia at the periphery. This explains, at least partly, as to why the periphery is underdeveloped. There is no other way for the periphery but to be dependent on the centre. It cannot

voluntarily snap its ties from the centre. However, dependency, unless it is forced, implied that the dependent country is getting at least some indirect benefits, though temporary from the centre, although the benefits may be more than swamped out by exploitation. Ultimately, the LDCs are impoverished due to the backwash effect generated by the actions of the centre. But there is no spread effect which can help the peripheral countries.

These two effects require a little elaboration. When two regions (namely, the centre and the periphery), are developing side by side, the stronger and the more powerful region (i.e. the centre) will draw away resources, both physical and human, from the weaker and the less powerful region (i.e. the periphery). As a result, a growth-retarding backwash effect would be produced in the region where from the resources are drawn away. Backwash effects imply unfavourable effects. The backwash effects are generally produced through three factors: migration, capital outflow and unequal trade. These factors become favourable for the centre, but unfavourable for the poor peripheries.

A developing region (centre) will produce some adverse effects (backwash effects) which will be reflected on the neighbouring poor region (periphery). Backwash effects, a la Gunnar Myrdal, refer to total cumulative effects that are caused by the process of circular causation between the economic and non-economic factors. The growth of the centre however, should produce some good effects for the peripheries with respect to technology, demand, market, knowledge and so on. These favourable effects may be called the spread effects of development. These effects can produce new growth momentum for the poor peripheries. But this is possible only when the growth-retarding backwash effects are outweighed by the positive spread effects. This is not really happening for the peripheral poor countries.

When a peripheral country is integrated with the world capitalist system, the world is polarised into two: centre and periphery. The centre draws away the surplus from the periphery, and as a result, the centre becomes developed and the periphery becomes underdeveloped. Thus, development and underdevelopment are the two processes of the same world-wide integrated capitalist system. Underdevelopment can be explained as a historical stage of capitalist development. Development of the periphery is possible only when its relationship with the centre is snapped. Underdevelopment can be explained in terms of the relations of domination in exchange. The domination is manifested mainly in extracting the surplus from LDCs. The result of such a dependency is the widening inequality between DCs and LDCs.

THE NATURE OF DEPENDENCY AND EXPLOITATION:

But how does a periphery become dependent on the centre? The dependency of the periphery is manifested in various ways. First, LDCs are dependent on DCs for technology. Second, the LDCs are dependent on DCs for economic and financial aid. Third, the balance of payments problems require the help from the DCs. Fourth, the LDCs cannot follow an independent policy of capital accumulation. Fifth, LDCs are dependent on DCs for selling raw materials and their primary products. Lastly, without the help of DCs, it is almost impossible for the LDCs to develop economically. Indeed, one can make a detailed menu of various types of dependency relations which have not yet been subjected to comprehensive analysis. In what follows, I provide a rather conservative list of some of the neglected areas of dependency relations which necessitate careful and detailed research for better comprehension and appreciation:

- (i) *Academic Dependency:* The education system of LDCs, including curricula, evaluation process and the like, are dependent on the Western education system. In LDCs, the stock and flow of our knowledge, thinking process, academic information and orientation, and also the dimensions of our problems and the suggestions for their possible solutions are based on western books and journals published by a few multinational publishing companies.
- (ii) *Cultural Dependency:* The socio-cultural way of life and the value system of LDCs have become completely dependent on those of DCs. The cultural dualism produced this way has led to a crisis of identity in LDCs.
- (iii) *Financial Dependency:* This refers to the dependency of LDCs with respect to capital inflows, direct foreign investment, loans, interest on loans, and so on.
- (iv) *Market Dependency:* The LDCs are dependent on DCs for various market interactions. To some extent, the domestic inflation rates and currency values of LDCs also depend on DCs. In international transactions, the LDCs have to submit to the market power of DCs.
- (v) *Human Resources Dependency:* The training of high quality manpower and the ultimate loss of a part of this manpower, commonly known as

Brain Drain problem, is the reflection of a dependency relation through which human capital resources are drawn away from LDCs without the payment of compensation.

- (vi) *Consumers Dependency:* The tastes, preferences and the consumption patterns of Third World consumers are now-a- days very much dependent on DCs, their way of life and systems.
- (vii) *Bio-Dependency:* The whole field of medical research, human pathology, medicines and treatment processes in LDCs is almost completely dependent on the Western system which dumps not only costly medicines but also banned and harmful drugs to the LDCs.
- (viii) *Environmental Dependency:* The DCs are emerging as the vector of environmental protection. For the evaluation and solution of their pollution problems, the LDCs are made to be dependent on DCs.
- (ix) *Military Dependency:* These days, the LDCs have to remain dependent for their so-called securities on the DCs who supply the arms and ammunitions for fighting wars and frighten away the enemies if needed. But more often than not, the DCs try to sustain the bones of contention among the LDCs to make them dependent in many ways to DCs.
- (x) *Policy Dependency:* The DCs are directly or indirectly interfering with the internal policies of LDCs in the pretext of performance evaluation required to qualify as borrowers from international institutions, or for aid and assistance. The internal economic, social and political processes and policies of LDCs are influenced by and dependent on DCs.

However, although the LDCs are apparently getting some help from the centre, it is not without cost. Sometimes the cost is extremely high. In other words, DCs have been exploiting the LDCs in many ways: First, the DCs are investing capital in LDCs where the marginal productivity of capital is very high, and are drawing out a large amount of surplus. Second, the DCs are able to purchase raw materials and primary products from LDCs at low rates mainly because of the fact that wage level is very low in LDCs. Thus, through unequal exchange, the DCs are getting surplus labour values from LDCs. Third, DCs are able to sell out their products in LDCs at high prices. Fourth, the DCs are getting remittances from LDCs large sum of money in the forms of profit, royalty and so on. Fifth, the technology which is being

transferred to LDCs is mostly old and obsolete, unsuitable and very costly. Lastly, the DCs are also exploiting the LDCs through the imposition of control over the domestic economies of these poor countries through aid and other means. The DCs are also influencing the poor countries' internal economic policies. Thus, in many ways, the DCs are exploiting the LDCs. The basic way in which a periphery is exploited is through the mechanism of surplus extraction. Surplus is extracted in mainly two ways. One way is the non-trading way or direct way of extraction of surplus. This is done by looting and plundering of resources from the LDCs. It also includes the repatriation of profit from these countries. The indirect way consists of unequal exchange through which surplus is extracted from the LDCs.⁵ The mechanism of surplus extraction is shown in the following chart.

MECHANISM OF SURPLUS APPROPRIATION

Direct Method		Indirect Method
Plundering of resources or looting	Profit repatriation and Royalty repatriation	Unequal exchange

Unequal exchange constitutes an indirect mechanism of surplus extraction. It is also called the trading method of surplus extraction. The mechanism of surplus extraction is not specific. It may be direct or indirect, as has been shown earlier. The wage level in LDCs is lower than that in DCs. This means that products can be produced in LDCs at lower cost. Accumulation in LDCs is not possible per se. Surplus value is produced in LDCs but it is appropriated by the centre. Due to lower wage level and under-consumption, a mechanism is provided for the transfer of surplus from LDCs to DCs. Unequal exchange between these two types of countries means that more labour time is appropriated by DCs, as a consequence of profit rate equalisation.

Be that as it may, it is impossible to appreciate the dependency approach without understanding that it is essentially and mainly a reaction to the conventional North American development theories.⁶ The Latin American social scientists and development theorists began to find out alternative explanations for the problems that capitalist countries were facing in the periphery of the world system in the fifties of the present century. In course

of their discussion, they focused on certain aspects of the reality which were not considered by the earlier development theorists. These aspects were related to the problem of exploitation of the periphery by the centre, and the extraction of surplus from the backward periphery. In developing this type of idea, these writers obviously turned towards Marxist analysis for understanding the conflict, exploitation and the reasons for the persistence of poverty. However, in subsequent analysis, this new theory of dependency departed considerably from the traditional Marxian interpretation. This is evident from the fact that unlike Marxist analysis, the dependency theory is not based on the concept of exploitation of labour, but rather, it is based on the concept of exploitation of LDCs by the developed capitalist countries.

THE CONVERGENCE

The dependency approach matured in the sixties, and certain common themes began to emerge in the analysis in spite of many individual differences and polemics. In what follows, I shall now delineate the common characteristics or themes of the classical dependency theory. These are:

First, central capitalism is imposed on the periphery.

Second, surplus is extracted from the periphery. DCs exploit the LDCs.

Third, surplus extraction leads to development of the centre and underdevelopment at the periphery. It is believed that underdevelopment is not a national or endogenous problem. It is an exogenous problem. Development of periphery is conditioned by the world capitalist structure.

Fourth, there is unequal and uneven development between DCs and LDCs.

Fifth, integration with world capitalism aggravates the problem of national/international inequalities and underdevelopment.

Sixth, the trade relations between DCs and LDCs are unequal relations, favouring the DCs and discriminating against the LDCs.

Seventh, LDCs have sub-ordinate status to the DCs.

Lastly, development of LDCs is not possible unless and until the tie with the central capitalism is snapped. Socialism is regarded as the best alternative for having rapid economic development with social justice and equity.

DEPENDENCY STUDIES IN MALAYSIA

The analysis of dependency in Malaysia has gone mainly into two different directions. At one end of the spectrum, the analysis goes the whole hog into the internal dynamics of the system as it affects caste, class, ethnicity and other related variables. The other end of the spectrum considers the problems of external dependency of Malaysia. There is now available a burgeoning body of literature on both these areas of analysis which can whet the appetite of the students of Malaysian political economy.⁷

In the areas of caste, class, ethnicity, politics and society of Malaysia, commandable and careful works have been done, among others, by Michael Stenson (1980), C.E.R. Abraham (1976), V. Selveratnam (1974), B.N. Cham (1975), L.M. Hui (1980), J.K. Sundaram (1977 & 1978), S.A. Baharuddin (1979), Fatima Halim (1980), Martin Brennan (1985), Md. Amin and M. Caldwell (1977), A. Sivanandan (1979), H. Yaacob Hashim (1977) and Johan Saravanamuttu (1986).

In the realm of the analysis of external dependency of Malaysia, painstaking and serious works have been done, among other, by Khor Kok Peng (1979), J.J. Puthucherry (1976), Lim Mah Hui (1976), Lim Chong Yah (1967), Lee Hock Lock (1974) and C.B. Edwards (1975). While others in this group of writers concentrate on some particularised aspects of dependency, such as MNCs, profits, trade diversifications, protections and the like, the work by Khor Kok Peng is based on holistic approach which considers the problem of dependency in Malaysia in its totality, and hence, deserves a thorough and patient study.

TOWARDS AN APPRAISAL

There are many theoretical problems with the dependency paradigm.⁸ It has been pointed that dependency analysis cannot give us a full-fledged formal theory of development and underdevelopment but it can simply provide us guidance in the explanation of any concrete case of underdevelopment.⁹ Thus, it cannot be regarded as a theory but it is simply treated as a paradigm or model. In the so-called dependency theory, the relation of dominance is pre-supposed, and it is believed that one pole can exploit the other. The theory has failed to specify thoroughly as to how wealth and poverty can be generated by one and the same force, namely, capitalism. Second, it is pointed out that extraction of surplus cannot cause development and underdevelopment at the same time because it is an assumed pre-condition.¹⁰

The theory does not say as to how the surplus is produced and appropriated, but instead, it concentrates on how it is exchanged. Third, the theory gives too much emphasis on the problem of exchange rather than on the problem of production. In fact, underdevelopment cannot be satisfactorily explained through exchange relations. Development/ underdevelopment is essentially a production-centric problem. Fourth, production and appropriation of surplus is an aspect of the relationship between classes; but class analysis has been ignored. The conflict between centre and periphery, it should be noted, is in geographical terms in this theory rather than in terms of social classes. Fifth, the unequal exchange as a mechanism of surplus extraction has not been explained very satisfactorily either theoretically or empirically.¹¹ The explanation is far less convincing as an explanation of underdevelopment. The explanation that profit rate is equal in the international market in spite of barriers, protection and unequal development, is wrong mainly because of factor immobility. Even if theoretically it is assumed that factors of production are mobile internationally, a high cost does prevent such mobility among the world countries. Sixth, LDCs cannot grow, according to this theory, so long as they are in the grip of DCs. This has been found to be historically false. In fact, many LDCs have been rapidly developing in modern times in spite of their links with the DCs. It is ignoring the good impact of capitalism on LDCs. Bill Warren, F.H. Cardoso and others observe that capitalism does help the growth process of underdeveloped countries. The theory has over-emphasised the role of surplus extraction. The dependency relation can very well be there between two developed countries, but there may not be any perceptible act of exploitation. It is not necessary that the linkage with DCs will necessarily lead to exploitation of LDCs.

Some of the features of dependency can also be found in non- dependent economies.¹² Moreover, even the developed countries are facing the problems which are generally the characteristics of LDCs. Some of the DCs are plagued with the problem like unemployment, inflation/recession and low growth. Dependency *per se* is neither a necessary nor a sufficient condition for underdevelopment. Dependency theory suffers from circularity of reasoning: a country is poor because it is dependent, and it is dependent because it is poor.¹³ The theory has not provided any viable solution to overcome dependency. Bill Warren observes that its inability stems from its subjective-moralistic overtones and interest.¹⁴ Seventh, Keith Griffin and John Gurley have accused the theory of neglecting the market forces. They say that the theory does not present any explanation of bioformity i.e. formation of centre and periphery in terms of any market forces. The explanation is not in terms of pure economic theory.¹⁵ Eighth, according to

dependency theories, capital is invested in LDCs by the DCs because rate of profit is higher there than in DCs. The resultant profit is again invested in LDCs by the same token of argument. This means that profit is not really repatriated and invested in DCs. There seems to be a lack of internal consistency in the theory of dependency.¹⁶

Ninth, the paradigm can also be subjected to criticism from the point of view of the neoclassical economics. The neoclassical arguments envisage that LDCs utilise the opportunities to freely choose that course of action through which they can materialise their objective functions, or maximise their utility functions. The LDCs are never forced into the deal of dependency. It is their free volition under free market conditions. And since they have chosen the condition of dependency, it implies that dependency is the best alternative for these countries which can yield maximum net benefits under the given circumstances. Dependency cannot be bad for the LDCs. Had it been so, the LDCs would not have accepted it. Evidently, for these countries, there is no better alternative. In other words, the so-called dependency, must be mutually beneficial to both LDCs and DCs.

Tenth, any concept of dependency which claims to be a theory of underdevelopment must, according to S. Lall, pass a double test of showing (a) some exclusive characteristics of dependent economies, and (b) that these characteristics adversely affect the development process of these economies. But on both these counts, the theory seems of have failed.¹⁷ Finally, the theory ignores the mutually overlapping caste-class structure and cultural structure which play a major role in the generation and perpetuation of poverty and inequality in LDCs. The paradigm shows essentially a North-Western perspective of mass poverty in the Third World. The dependency model is constrained by the deterministic overtones and too simplistic generalisations.

However, all the above points of criticism cannot be hurled across the board. There are many exceptions indeed. As against all castigations, it must be conceded, as Gabriel Palma realised, that dependency theory still has its utility as a methodology for analysing the micro perspective of underdevelopment in some concrete cases.¹⁸ The theory of dependency has not only provided an alternative method of studying underdevelopment of many LDCs, it has also given new insights, raised new issues and provided new perspective for analysing the development process of the backward countries.¹⁹

NOTES AND REFERENCES

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12. S.Lall, "Is Dependence a Useful Concept in Analysing Under-development?", *World Development*, Vol. 2, No. 11, 1975, p. 800.
13. Loc. Cit.
14. See, H. Gulalp, "Debate on Capitalism and Development", *Capital and Class*, Spring, 1986.
15. K. Griffin and J. Gurley, Op. Cit., p. 1113.
16. Tom Bottomore, Op. Cit., p. 115. The lack of internal consistency arises from the fact that whereas the theory postulates a mechanism of profit repatriation, the logical extension of its basic tenets does not support the postulate.
17. See, S. Lall, Op. Cit., p. 800.
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