5 Development theory
The Latin American pivot

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It could be argued that one of the origins of critical development studies in Latin America has been the writings of the Peruvian Marxist José Carlos Mariátegui (1971). His main writings were published in the late 1920s and early 1930s, in which he argued that the feudal landlord class and the national bourgeoisie allied with imperialism continually reproduced the system of exploitation and domination. He did not believe that the national bourgeoisie was able to perform the progressive role it had achieved in Europe. Hence, he advocated a socialist revolution so as to achieve the liberation of the oppressed classes and in particular of indigenous people. Contrary to many thinkers at the time, he foresaw the revolutionary potential of the indigenous peasantry. He was one of the early Marxists who tried to adapt Marxism to the Latin American reality as he understood it, and generally break with Eurocentric thinking (Quijano, 2000). In this sense, he foreshadowed structuralism and dependency theory, which I consider to be the main contributions to critical development theory to emanate from the region, as will be discussed in the next two sections of this chapter, respectively. However, while structuralism in its critique of the orthodoxy of the times only sought to reform the capitalist system, the Marxist strand within dependency theory aimed to overthrow it so as to achieve socialism.

While the debate on ‘reform or revolution’ already emerged in the first decades of the 20th century, it acquired particular intensity after the Cuban Revolution in 1959. Several governments in Latin America and the Caribbean followed some of the development policy recommendations of structuralism during the 1950s, 1960s, and early 1970s, but only to a limited extent, while dependency theory had far less influence on government policy at the time, although it was very popular among students, left-wing political parties, and revolutionary social movements. With the rise of the counterrevolution in development thinking in the late 1970s and 1980s, neoliberal ideas gained prominence and shaped government policy not only in the developing world, but also in the developed countries. It was only in the early 1980s that structuralist thinkers were able to respond to the neoliberal challenge by proposing neostructuralist development strategies, as will be discussed in the third section. The chapter ends with some conclusions.

Recommended reading: Kirby (2003); Munck and O’Hearn (1999).

Structuralist theory of development

The emergence of what came to be known as the structuralist school or theory of development was haphazard. It originated with the path-breaking and controversial publication of the Economic Survey of Latin America 1949, which was published by the United

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Nations Department of Economic Affairs in New York. The original Spanish text had been published in 1950 by the United Nations Economic Commission for Latin America (ECLA) in Santiago de Chile. CEPAL, to use its Spanish acronym for Comisión Económica para América Latina, was established in 1948. The renowned development economist Albert Hirschman (1961: 13) referred to this publication as the ‘ECLA manifesto’ (which has echoes with another well-known manifesto), and not without reason. The publication was penned by Raúl Prebisch, who had become head of the ECLA in 1949. In his analysis, he challenged the economic orthodoxy at the time, which argued on the basis of the theory of comparative advantages that international trade was beneficial for the trading nations concerned, and particularly for less-developed countries. Instead of the income gap being reduced through trade, Prebisch argued that it actually increased. Such a conclusion had explosive consequences for relations between rich and poor countries, and thus it is not surprising that Prebisch was attacked and vilified by the powerful, particularly in the centre countries. But Prebisch knew how to defend himself and the institution he led. He had indeed assembled an extraordinarily gifted and transnational team of social scientists who he ably led and inspired (Kay, 2019).

Prebisch divided the world into centre countries and periphery countries, which roughly correspond in conventional terminology to developed and less-developed or developing countries, respectively. By using this terminology, Prebisch highlighted the power asymmetry between nations. Using historical statistics, he discovered that the long-term trend of terms of trade between Latin America (the periphery) and its main trading countries, largely the US and Europe (the centre) was deteriorating. Latin America was mainly or almost exclusively exporting primary products such as mineral and agricultural commodities to the centre countries, while it largely imported manufacturing commodities from them. While the terms of trade fluctuated over time, the trend was negative for the periphery, which is contrary to what the orthodox international trade theory sustained. Expressed more directly, this means that the periphery countries had to export an increasing amount of primary commodities to be able to import the same amount of industrial commodities from the centre countries. There was thus an unequal exchange between them. Prebisch did not necessarily argue that international trade was negative for the periphery, but that the fruits of international trade favoured more the centre than the periphery (Kay, 2019). This thesis is known in the literature as the ‘Prebisch–Singer thesis on the deterioration of the terms of trade’ and has generated much controversy ever since. More generally, given Prebisch’s pioneering conceptualisation of centre–periphery relations, some authors refer to structuralism as the centre–periphery paradigm in development studies (Rodríguez, 1977).

The lesson that Prebisch and his team at ECLA drew from this finding is that the periphery should shift its development strategy from being ‘outward-oriented’ to one that is ‘inward-oriented’. This was to be achieved by the state promoting the industrialisation of the periphery country through various means such as protectionism, subsidies, and infrastructure for the nascent industry, a process that became known as ‘import substitution industrialisation’, or ISI for short. The aim was to reduce dependence on exports of primary products and to shift the gravity of the economy to industry and the domestic economy. Many governments in Latin America, and elsewhere followed such an ISI development strategy during the 1950s until the 1970s and gave rise to what has been termed ‘state developmentalism’ given the centrality the state assumed in this process. This statist development strategy was much criticised by orthodox economists and was largely overturned by the neoliberal shift of the 1980s, as will be discussed later.
Another key idea introduced in the armoury of structuralism refers to the concept of 'structural heterogeneity'. Pinto, who introduced the concept, argued that the 'inward-oriented' ISI process was creating an internal duality between the new industries, with its relatively advanced technology, and the traditional workshops and industrial establishments which had a significantly lower productivity. Instead of a 'trickle down' and diffusion of technical progress within the domestic economy, as argued by orthodox economists, Pinto witnessed a growing polarisation within the industrial sector and, more generally, within the economy as similar polarisation processes were at work in the agricultural and service sectors. Thus the fruits of technological progress were furthering the concentration of capital. In short, the process of 'structural heterogeneity' reinforced and widened the unequal distribution of income (Pinto, 1970).

Prebisch’s analysis of the unequal centre–periphery relations led him to look beyond ECLA. He was the main driving force behind the creation of UNCTAD, the United Nations Conference on Trade and Development, which was established in 1964 in Geneva with the remit of negotiating fairer trade relations between developed and developing countries. Prebisch became its first secretary general, but resigned in 1969 as he was unable to make much progress in his aim of seeking to establish a new international economic order. It was indeed a very ambitious goal, which remains unfulfilled to this day (Kay, 2019). First, the rise of Taiwan and South Korea in the 1970s and 1980s, and the subsequent rise of China, as well as other former periphery countries, in recent decades has reshaped, and is reshaping, relations between centre and periphery, but not exactly in the way desired by Prebisch and the structuralists, as it is taking place within the context of neoliberal globalisation.

Recommended reading: Furtado (1964); Kay (1989, 2019); Rodríguez (1977).

Dependency theory

A key critical perspective in development studies is dependency theory, which arose out of disenchantment with, and critique of, the ISI process. I am not referring to the critique by orthodox economists and neoliberals (of which more later), but to the critique arising from within structuralism, as well as by Marxists. Thus, within dependency theory, it is possible to distinguish at least two views: structuralist and Marxist. Despite their differences, they share the basic premise that the process of development of developing countries can only be understood in their relations with the developed countries. As formulated by Sünkeli (1972: 520) from a structuralist perspective: ‘Development and underdevelopment … are simultaneous processes: the two faces of the historical evolution of capitalism’. Similarly, for Frank (1966: 18) from a Marxist perspective: ‘Contemporary underdevelopment is in large part the historical product of past and continuing economic and other relations between the satellite underdeveloped and the now developed metropolitan countries’. This dependency has its historical origins in colonialism and imperialism but persists to this day.

The two dependency views differ mainly in the analytical tools they deploy, and above all in their proposal for overcoming the dependent relationship. For obvious reasons, Marxists tend to use concepts derived from Marxist political economy. However, contrary to Marx, they argue that the development of capitalism in the dependent countries does not display the progressive features it has had in the dominant countries. Thus, some authors refer to this position as neo-Marxist. As for solutions, structuralists believe it is
possible to overcome dependence by radically reforming the capitalist system by creating a new international economic order (Sunkel, 1969), while Marxists believe that this is only possible by overthrowing the capitalist system itself and creating a socialist world order (Dos Santos, 1973).

Dependency authors are quite an eclectic group. For example, they stress different factors for explaining the dependency situation even within the two views I propose. For example, within the structuralist view, Sunkel (1969) argues that the rise of foreign transnational corporations (TNCs) in the dependent countries, as a consequence of ISI, is leading to a process of national disintegration and the marginalisation of social groups, which are displaced by this process. Meanwhile, Furtado (1973) puts the emphasis on the ‘dependent patterns of consumption’ generated by these TNCs, thereby creating an industrial structure not suited for underdeveloped countries as it is too diversified and too capital-intensive, thereby increasing the surplus population and perpetuating the high concentration of income, and hence the dependent pattern of consumption. Cardoso, in contrast to Furtado and particularly Frank, argued that dependency does not mean stagnation, and, on the contrary, it can lead to economic growth, although with several undesirable features such as inequality and marginalisation. To emphasise this he coined the term ‘associated dependent development’.

Also contrary to Frank, Cardoso (1972) highlighted the ‘diversity within unity’ instead of the ‘unity within diversity’, as for him the dependency situation varies between dependent countries due to their specific historical, economic, social, and political circumstances.

With reference to the Marxist view, Frank (1966) coined the much-quoted phrase ‘the development of underdevelopment’, by which he meant that the dependent relationship reproduces the underdevelopment of the developing countries instead of leading to a process of genuine development. Dos Santos (1973) argued that a key element in the dependent relationship arises due to the lack of a capital goods sector in developing countries. The ISI process had not enabled countries to produce their own technology as TNCs wanted to keep control over it back in their headquarters in developed countries. Hence, developing countries had become dependent on imports from developed countries to access productivity- and growth-enhancing machinery, equipment, and other technological goods and services, to sustain their ISI and other economic sectors. Thus, ‘technological dependence’ is a key factor in the reproduction of the dependency relationship. Meanwhile Marini (1973) focuses on the ‘super-exploitation of labour’ by capital that arises from the ‘unequal exchange’ between developed and underdeveloped countries.

It is possible to speak also of a ‘Caribbean’ dependency view, which emerged largely from a group of scholars and activists linked to the University of the West Indies. While they were influenced by structuralist and Marxist dependency theorists, they argued that these had to be adapted to the particular context of the Caribbean countries, which were small island economies, that all had a recent colonial past (Girvan, 1973; Levitt, 2005).

Dependency theory was particularly influential from the late 1960s to the 1970s. It provoked much debate and criticism. While the Marxist strand of dependency theory tended to morph into world systems theory, particularly in the case of Frank (Kay, 2011), the structuralist strand of dependency morphed into neostructuralism, which will be discussed next.

Neostructuralism and alternative development

The neoliberal counterrevolution in development studies that was brewing during the 1970s gathered momentum at the turn of the decade with the victory of the Conservative Party under the leadership of Margaret Thatcher in 1979 in the UK and the subsequent election of Ronald Reagan in 1981 to the US presidency. Both pushed forward the neoliberal agenda that aimed to dismantle many of the achievements of the welfare state and strengthened the forces pushing for neoliberal transformation in developing countries. With the debt crisis of the 1980s, which was particularly acute in Latin America, the neoliberal forces seized the moment and used the international financial institutions (World Bank (WB) and International Monetary Fund (IMF)) and the aid programmes of the US and UK, among others, to impose certain conditions for the disbursement of credit and aid to the recipient countries. This package of wide-ranging reform measures was labelled ‘structural adjustment programmes’ or SAPs, which led to the ‘Washington Consensus’, so named as Washington, DC, is not only the seat of the US government and treasury, but also of the WB, IMF, Inter-American Development Bank (IDB), and Organization of American States (OAS), who all promoted neoliberalism. Among the required reforms were the dismantling of the developmentalist state and the protectionist measures of the ISI period so as to give free rein to global market forces (Saad-Filho & Johnston, 2005). Chile under the dictatorship of General Pinochet (1973–1990) already pioneered neoliberalism, which became the dominant policy discourse in many countries of the world. Some authors even consider Chile to have been the forerunner of globalisation by early on fully liberalising and opening its economy to the world market, thereby submitting the country to the ‘imperialism of free trade’ and creating a series of economic, social, and political contradictions (Ahumada & Torres, 2020).

Among the first development institutions to take up the challenge of the neoliberal paradigm was ECLAC, previously known as ECLA, which now included the Caribbean in its name, hence the C added at the end of the acronym. As from 1990, they published a series of books in which they set out their new approach to development, which evolved from the earlier structuralism, seeking for its renewal, and thus referred to as ‘neostructuralism’. The foundational text of neostructuralism is Changing Production Patterns with Social Equity (ECLAC, 1990), whose intellectual author was Fajnzylber (Torres, 2006). Neostructuralists tried to come to terms with the demise of structuralism and dependency theory, the rise of the newly industrialising countries (NICs), and particularly the success of South Korea and Taiwan, the hegemony of neoliberalism; and the challenges of globalisation, as well as with the rise of poverty and inequality in Latin America as a consequence of neoliberal policies.

The key elements of neostructuralism can be summed up as follows. First, it shifts from the structuralist emphasis on inward-looking development to ‘development from within’ to selective domestic priorities, but increasingly to the world market in areas that offer the best opportunities for the strategic and long-term development of the country. Thus, foreign trade was to become a more important sector than in the past, as it was now seen as having a more dynamic potential than the domestic market. The whole issue of unequal exchange was given less priority, sidelined, or not mentioned at all.

Second, this required transforming the production structure of the country by shifting from traditional raw material exports to exports with higher value added, and
especially towards industrial exports. Instead of continuing with the country’s comparative advantages, the state was now charged with developing its ‘competitive advantages’. Hence, the state was to expand education, improve standards, and promote technological skills and innovations.

Third, to achieve this aim, a more nimble, competent, pragmatic, enabling, and catalyst state was required, as compared to the past clientelist, bureaucratic, and oversized state, so as to encourage the private sector to seek out the new opportunities of globalisation, as well as being able to adapt its policies according to changing international and national circumstances. The state was no longer required to create state enterprises, but could establish public–private partnerships where this was the most appropriate way to stimulate investment, entrepreneurship, and high-value economic activities—in short, a developmentalist state ‘light’ (Petras & Veltmeyer, 2007).

Fourth, a more flexible and open view of the market was taken. Thus, instead of using protectionist measures, price, and exchange rate controls, and so on, in a clientelist and indiscriminate manner as in the past, the purpose now was to ‘govern the market’, but in a purposeful manner so as to achieve certain developmental goals within a certain time frame so that state intervention did not become entrenched. Thus, an eye was always kept on market signals.

Fifth, so as to be in a better position to face the world market, neostructuralists proposed a policy of ‘open regionalism’, meaning trade and investment agreements between countries of the region, but with a view that the region would negotiate agreements with other countries or regions in the world. Thus, bilateral country agreements were to be avoided, as single Latin American countries, especially the smaller ones, would have a weak bargaining position when dealing with rich and large countries.

Sixth, last but not least, as markets tend to foster inequalities, especially those of a neoliberal kind, the state had to encourage measures that promote equity. One of the slogans was ‘growth with equity’, as without growth it would be difficult to finance equity measures. The achievement of social inclusion, cohesion, and poverty reduction was thus an important part of the neostructuralist development agenda.

Neostructuralism was attacked by neoliberals as well as by the more radical Left. Neoliberals view it as too statist, interventionist, and too wedded to the worn-out and discredited structuralism, while the radical Left view it as a new version, perhaps with a human face or a pragmatic kind, of neoliberalism and too close to what has been called the ‘post-Washington Consensus’ (see Chapter 13 by Van Waeyenberge), in which specific social and poverty alleviation measures were introduced to the earlier ‘Washington Consensus’, which was seen as too harsh.

The most comprehensive critical analysis of neostructuralism is by Leiva (2008). He faults neostructuralism for relegating power and power relations in its analysis and for jettisoning the core–periphery model and the systemic approach of structuralism. Hence, by not focusing ‘on how economic surplus is produced, appropriated and distributed within a single, world capitalist system’ it is unable to provide a critical analysis of the development process (Leiva, 2008: xxvii). Indeed, Leiva may have a point in view of the experience of the so-called ‘pink tide’, when centre-left and left-wing governments governed in several Latin American countries during the 1990s until the first decades of the current century. They all proclaimed to follow a post-neoliberal and some even a postdevelopment path under a variety of slogans. However, they all ended up reinforcing an unsustainable extractivist development process and the rentier character of the
economy, the elite, and the state, albeit with a substantial reduction in poverty and some achievements in social inclusion. Thus, the power structures did not shift substantially, if at all, and the main pillars of neoliberalism remained in force, although with more state intervention and social policies (Acosta, 2013; Munck & Delgado Wise, 2018; Veltmeyer & Petras, 2014).


Conclusions

In this chapter, I have highlighted some contributions to critical development studies that have emanated from Latin America. What I find to stress is the encouragement which we can see in the ability of a group of thinkers, scholars, and activists to go beyond and even overturn the dominant orthodoxy of the times as they realised that those theories, largely emanating from developed countries, were unable to explain the complexities of the Latin American reality and other developing countries. Mariátegui and the Marxist dependency thinkers went beyond certain dogmatic interpretations of Marxism, seeking to apply it creatively to the Latin American context. Meanwhile, Prebisch and the structuralist thinkers challenged the orthodox economic and development theories of the time and created an alternative interpretation of the dynamics of the world system. Both streams in Latin American critical development theory aimed at transforming the existing capitalist system either by reformist or revolutionary means so as to achieve their respective aims. These aims have yet to be achieved. Hence, the continuing relevance of critical development studies, and the need to develop it further linking it to those social movements, organisations, and activists struggling for a more sustainable, inclusive, and equitable world (see Chapter 3 by Munck). It is encouraging to find that in recent years an increasing number of publications have been seeking the renewal of dependency theory (Kay, 2020; Kvangraven, 2020), and, to a lesser extent, of structuralism (Fernández & Brondino, 2019) and neostructuralism (Bárcenas & Prado, 2015), although these cannot be discussed in this brief chapter.


References


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