THE MEANING OF DEPENDENCE

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A NEW AREA of economic development has taken on increasing importance in the last few years. A great deal of heated discussion and controversy has arisen over the literature on dependence which first got its start in modern form in reference to Latin America.

Most writers on dependence are Latin American social scientists who find support for much of their argument in historical processes. The major thesis is that Latin America—and presumably the rest of the Third World—is underdeveloped because of its dependence on capitalist countries, especially the United States.

While many arguments of the writers on dependence are intuitively appealing, their main weakness lies in a lack of a general theory, or at least of an analytical framework to integrate its many strands. In addition, there are few attempts to empirically test the major hypotheses deducted from the literature.[1]

One of the major hypotheses has been tested elsewhere [8]. The purpose now is more conceptual and definitional. First, the Latin American literature on dependence will be briefly reviewed. Second, an analytical framework will be constructed that embodies the concept of dependence along with related concepts of dominance, interdependence, and autarky. For this purpose, the concept of *net impact* is introduced. Third, the concept of dependence is related to the concept of underdevelopment.

I. A BRIEF REVIEW OF THE LITERATURE ON DEPENDENCE

Dependency and dependence are terms that have been in use for a long time. In the colonial period, a dependency was the area on which colonial powers made the major economic, political, or military decisions affecting the colonies, and other forms of dependence, with little or no real participation by indigenous peoples.

Even after nearly all these areas were able to stand on their own political feet, the terms remained in use. While the forms, if not the implications, of colonial dependency were widely agreed upon by analysts, no agreement is seen in the present controversy on forms and meaning of dependence.

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[1] For two of these few attempts see [8] [16].

Radical writers,[2] and most Third World nationalist leaders, generally argue that, notwithstanding the formal political independence obtained, the present underdeveloped countries, or UDCs, continue to exhibit strong features of dependency although today's dependence is somewhat subtler than that of the colonial period. Dependence, according to these writers and leaders, manifests itself in military, political, economic, and cultural fields. (See [1] [2] [3] [4] [5] [6] [15].)

On the other hand, many mainstream writers[3] agree with the radicals and nationalist leaders that in spite of their political independence the UDCs still have many features of colonial dependency. They believe, however, that as the new states of the Third World acquire more experience and more political and economic muscle the vestiges of dependency will gradually disappear, to be superseded by more equitable and cooperative relations with the more developed countries [10].

Radical economists tend to see the cause for underdevelopment in the continuing state of dependence (see [1] [3] [4] [5] [6]). Thus, if development is to take place, the major prerequisite is seen by these writers as lying in the UDCs' ability to rupture their state of dependence [1, pp. 164–65]. But such a break with dependence, according to the majority of radicals, is likely to require fundamental political and social revolution [1, p. 164]. Here is a major reason why radical economists tend to lean heavily on political economy arguments rather than on strictly economic interpretations, as most mainstream economists do.

Mainstream economists tend to see the causes of underdevelopment in technological backwardness, low savings and capital formation, in a word, in the many "vicious circles" that plague the UDCs [12, pp. 4–5]. In noneconomic factors of underdevelopment, mainstream writers are likely to emphasize backward social institutions and anti-developmental cultural traits (see [11]).

To the extent that they discuss dependence as such—and they rarely do—the mainstream economists tend to downplay its impact on economic development. Some point out possible harmful effects that stem from overspecialization of productive structures in most UDCs and their heavy reliance on foreign trade (see [7, pp. 420–21] [10, p. 42]). However, they usually either do not see dependence in such features, or they tend to attribute a minor role to the reliance on foreign trade in impeding economic development [10, p. 42] [7].

This is another crucial difference between radical and mainstream economists. The former consider dependence to be the key to explaining underdevelopment. The latter explain underdevelopment by UDCs' social and economic institutions.

The present impetus to the literature on dependence came from dissatisfaction by many Latin American writers with the last few decades of economic per-

[2] Radical writers here means writers who are critical of traditional economic theory and who adhere, more or less firmly, to the Marxist tradition of thought.

[3] Mainstream writers are those who belong to the mainstream of traditional economic theory. Two examples of mainstream development economists are W. Arthur Lewis and Ragnar Nurkse.

formance in that area, and the disappointment with an early model developed by the United Nations Economic Commission for Latin America (ECLA). This model is usually associated with then chief economist of ECLA, Raul Prebisch [13]. ECLA's model provided the economic rationale for the policy of import substitution forced on several Latin American countries by the Great Depression and World War II—events that cut Latin America from its traditional trade channels (see [3] [6]).

Import substitution had an easy and promising start, and it helped the major Latin American economies to develop an industrial base. Import substitution though, required an ever-increasing amount of capital-goods imports in turn increasing the need for more foreign exchange. This meant added pressure on the traditional sector to provide foreign exchange, and greater reliance on foreign trade, investment, and aid. At any rate, the difficulties encountered by import substitution, combined with high expectations by Latin Americans, provided the incentive to make an alternative diagnosis of Latin American ills.

Among Latin American writers on dependence, Theotonio Dos Santos gives perhaps the best definition of the state of dependence in which their region—and probably all other underdeveloped areas—finds itself today. He defines dependence as

> a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of interdependence between two or more economies, and between them and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion. [3, p. 231]

Andre Gunder Frank's definition of dependence is similar to Dos Santos's. It, however, offers a better visualization of the state of dependence. It is

> a whole chain of constellations of metropoles and satellites [which] relate all parts of the whole [capitalist] system from its metropolitan center in Europe or the United States to the farthest outpost in the Latin American countryside....Each of the satellites...serves as an instrument to suck capital or economic surplus out of its satellites and to channel part of this surplus to the world metropolis of which all are satellites. [6, p. 7]

Such satellite development is dependent because it is "neither self-generating nor self-perpetuating" [6, p. 8]. With both Dos Santos and Frank, and with most Latin American writers on dependence for that matter, the crux of dependence lies in the inability of a country to determine an autonomous, self-propelling growth process.

Although Latin American writers on dependence do not agree on every issue, they tend to emphasize the same points and repeat the same arguments with remarkable frequency. This uniformity helps to summarize the literature on dependence in three broad statements or hypotheses: (a) dependence and underdevelopment are the result of the world expansion of capitalism; (b) dependence leads to economic exploitation ("sucking capital or economic surplus") of UDCs by capitalist countries; and (c) dependence leads to underdevelopment and, by

implication, development—autonomous and self-propelling—can take place only after the UDCs break away from or at least substantially reduce their state of dependence.[4]

II. DEPENDENCE REDEFINED

Country B (or a group of countries M) is *dependent* on country A (or on a group of countries N) and A (N) is *dominant* over B (M), if major political, economic, military, and cultural activities in country B (M) are or can be *critically* affected by decisions and policies of country A (N). At the same time, similar activities in A (N) can be little, if at all, affected by decisions and policies taken by country B (M). Thus, country A (N) has high deterrence power over B (M), while B (M) has little or no deterrence power over A (N).

Similarly, countries A and B (N and M) are *interdependent* if the impact of extreme decisions and policies taken by one is comparable in intensity to the one that can be caused by the other. In this case, the deterrence power of each country or bloc is comparable to the deterrence power of the other.

Finally, countries A and B (N and M) are in *autarky* with each other (but not necessarily with a third) if neither has deterrence power over the other. Decisions and policies followed by one have little or no impact on the other.

The question is what determines the deterrence power of a country or bloc. It is apparent from the definitions that dependence, dominance, interdependence, and autarky are intimately related to the concept of power. But, to simply repeat this well-known observation, that economically and militarily powerful nations are apt to take on a dominant role (vis-à-vis weaker neighbors, partners, or the rest of the world) while weak nations are likely to assume a dependent role, would say nothing new.

It is only in combination with a second factor that disparity of power among nations will fully manifest itself in a state of dependence (dominance). This factor relates to the level and composition of transactions taking place between any two countries or groups.

Thus, the necessary condition for country B (M) to be dependent vis-à-vis A (N), and for country A (N) to be dominant vis-à-vis B (M), is a disparity of power, and a level and composition of transactions that are, by some agreed upon measure, critical to B (M) but much less critical to A (N).

That is, dependence (dominance) has two major components—one is a power component, the other is economic, and the two are related.

Focusing on the economic component of the dependence-dominance relationship, country B (M) can be completely and economically dependent on country A (N), if country B (M) is producing only one commodity all of which is exported to A (N) and all consumption and capital needs of B (M) are imported from A (N) [7, p. 420]. This implies that country A (N) is satisfying by domestic

[4] For a similar summary see [14, p. 7].

production nearly all of its consumption and capital needs. It follows that *B*'s (*M*'s) exports to and imports from *A* (*N*) are critical to *B* (*M*), while *A*'s (*N*'s) exports to and imports from *B* (*M*) are not significant to *A* (*N*). Such a situation constitutes total economic dependence for *B* (*M*) vis-à-vis *A* (*N*)—also it constitutes total economic dominance for *A* (*N*) vis-à-vis *B* (*M*)—for the economic well-being of *B* (*M*) critically depends on the goodwill of *A* (*N*) in carrying on its normal transactions with *B* (*M*). Because of the extreme concentration of *B*'s (*M*'s) productive structure, the availability to *B* (*M*) of substitute trading partners is excluded almost by definition.

It follows that to the extent that a country's foreign economic transactions are *substantial* and *concentrated* in one or few products, and in one or few trading partners, to that extent, the country in question is economically dependent. The assumption is that the more a country's productive structure is overspecialized in one or few products, and its trade concentrated in one or few trading partners, the more limited is the ability of the country in question to shift resources from one sector to another, and the more difficult to substitute one trading partner for another if and when the need arises.

This is because the crux of economic dependence (dominance) lies in the potential or actual threat that an economically dominant country may use to deprive a dependent country of critical resources unless the dependent country follows a certain "pattern of behavior."

The usual case in the modern world is that the economically dominant country is also militarily dominant as well. A dependent country may, however, possess resources that are critical to the economic well-being of the dominant country, and yet it may not be able to alter its status of dependence for fear of the economic and military power of the dominant country.

Yet, there are exceptional circumstances when dependent country may use a favorable international situation to alter its status by threatening to deprive the dominant country of critical resources that it possesses. Such cases are, however, rare. When they do arise, the final result depends on complicated factors such as actual and potential alliances and solidarities, and on the international balance of power. But a discussion into these matters would be far from the intended purpose of this paper.

In dealing with the narrower concept of economic dependence (and related concepts) considerations of the use of force or the threat of force by a dominant country against a dependent country will be excluded.

It must be noted that economic dependence and dominance among nations cannot be clearly discerned in normal times when economic transactions are taken for granted. Economic dependence (dominance) can be seen in its "naked" form only during extraordinary times characterized by major breakdowns in normal bilateral or multilateral transactions among nations, as is the case during war, depression, or boycott.

In a more analytical vein, suppose that there are two countries *A* and *B* and, in addition, assume that the impact of hostile economic actions that can be taken by *A* (*N*) and *B* (*M*) against each other can be measured in some satisfactory

way.[5] The letter x is the impact on B (M) of the strongest possible economic action that can be taken by A (N) against B (M), and y is the impact on A (N) of the strongest possible economic action that can be taken by B (M) against A (N). The letter b is the difference between the impacts of these two extreme actions; b can be called the net impact:

$$x - y = b.$$

If b is positive, A's (N's) net impact is positive, while B's (M's) net impact is negative:

$$b(A) > 0, \quad b(B) < 0.$$

On the other hand, if B (M) has the stronger impact, then:

$$b(A) < 0, \quad b(B) > 0.$$

If the two impacts are equal, then:

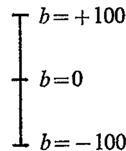
$$b(A) = b(B) = 0.$$

Thus, any country A's net impact on another may be positive, negative, or zero:

$$b(A) \gtreqless 0.$$

Assuming a satisfactory way was found to compute a country's net impact vis-à-vis another (its b), a -100, $+100$ scale can be taken to represent all possible values of a country's net impact. This is illustrated in Figure 1.

Fig. 1. Scale of Dependence/Dominance.



Any two countries A (N) and B (M) exist in relation to one another in one of the following states.

1. *Total economic dependence/total economic dominance: a case of latent conflict*

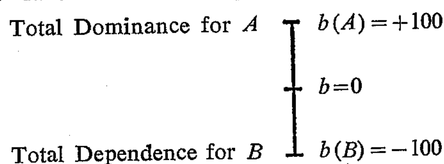
Using the concept of the net impact, country B (M) is totally economically dependent on country A (N), and that country A (N) is totally economically dominant vis-à-vis B (M), if

$$b(A) = 100; \quad b(B) = -100.$$

[5] Although I am not concerned here with the problem of actual measurement and associated difficulties, it may, however, be suggested that the impact of a hostile action can be approximated by estimating the reduction in the level of employment or in GNP that would result in the threatened country if the threat materializes.

This is illustrated in Figure 2.

Fig. 2. A Case of Total Dependence/Total Dominance



The first case is one of complete helplessness for country B (M) which is, economically, completely dependent on country A (N). Country A (N) has almost an unlimited economic leverage in its dealing with B (M) while the latter has no economic leverage whatsoever with A (N).

In the real world, this case corresponds either to today's mini states and territories, which continue to be completely economically dependent on a given metropolis, or, historically, to most colonies vis-à-vis their metropoles, e.g., Algeria and France. A totally dependent country may remain so for a long period of time until it develops some leverage (usually, noneconomic) in regard to the colonial power which may lead to a peaceful or violent change of status. Thus, relationships of total economic dependence/total economic dominance are likely to be ones of latent conflict.

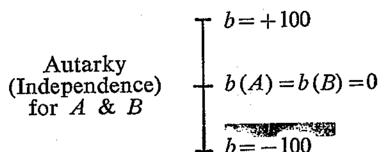
2. *The case of economic autarky (economic independence)*

Countries A (N) and B (M) are said to be in absolute economic autarky with one another if they have no economic transactions between them. They are in relative economic autarky with one another if no economic transactions take place between them, but each has transactions with third countries. This means that neither has direct economic leverage on the other, or that the net impact of each on the other is equal to the other country's net impact, and both are equal to zero:

$$b(A)=b(B)=0 \text{ (with } x=y=0).$$

This is represented in Figure 3.

Fig. 3. A Case of Autarky (Independence)



In the real world of today, there are very few, if any, countries that can be classified as absolutely autarkic, but a number of countries are still in relative autarky with one another such as the relations between certain communist and

capitalist countries. The communist countries remain in relative economic isolation with others.

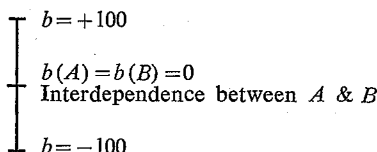
3. *The case of economic interdependence*

Countries A (N) and B (M) are economically interdependent if the two countries' net impacts are equal, that is, that when both the volume and composition of economic transactions taking place between the two countries are equally importance to each. Thus,

$$b(A)=b(B)=0 \text{ (with } x=y\neq 0) .$$

This is illustrated in Figure 4.

Fig. 4. A Case of Interdependence



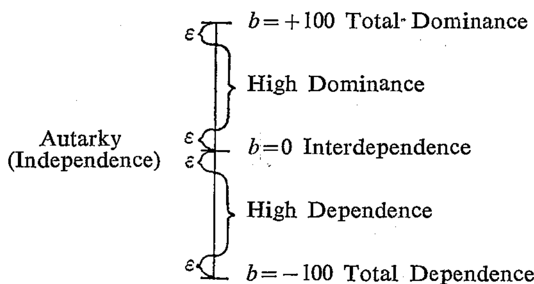
A precautionary note is in order. First, both interdependence and autarky correspond to zero net impact ($b=0$) for two different reasons. With autarky, the two impacts are equal to each other and both equal to zero, because no economic transactions take place between the two countries. However, in the case of interdependence, substantial economic transaction is taking place. Thus, the two impacts are substantial and positive, but are of equal weight. Therefore, net impact is equal to zero.

The second point is that interdependence is an intermediate and equidistant case between the extremes of total dependence and total dominance.

Interdependence in the modern world is likely to lead to economic cooperation because, on the one hand, mutual economic benefits are likely to ensue from cooperation, and on the other, the alternative noncooperative attitude (or in the extreme, hostile) is likely to be nonrewarding to all concerned.

Economic dependence, dominance, interdependence, autarky, and intermediate states are summed up in Figure 5.

Fig. 5. Economic Dependence, Dominance, Interdependence, and Autarky



Note: ε is a low positive magnitude.

Several additional comments are in order. As mentioned earlier, in today's world, cases of absolute autarky, and total dominance and total dependence are extremely rare, if they exist at all. Nearly all countries have achieved political independence and have developed some degree of economic leverage vis-à-vis their former colonial powers. It follows that cases of absolute autarky, and total dominance and dependence constitute limiting cases in our model. In today's world, countries are more or less economically dominant, or more or less economically dependent.

Even interdependence, as defined above, is rare in the real world, contrary to appearances. What seems to characterize today's world is a state of increasing economic dependence for some countries and a corresponding economic dominance for others, though the wheels of history are always moving. It must be noted, however, that today there is a greater potential for the emergence of economic interdependence which can be beneficial to everyone.

It is true that modern technology creates the objective basis of interdependence. But two other factors make interdependence today more appealing. First, apart from moral considerations, there is the greater awareness among many traditional enemies that, in the atomic age, war is increasingly risky, as well as costly in both absolute and relative senses, in comparison to the use of alternative diplomatic, political, and, especially, economic means.

The second factor helping to create greater potential for economic interdependence is the emergence of an increasing number of regional economic and political groupings, which, if their consolidation is successful, would result in an increase in their net impact on older and more powerful groupings.

Having defined the meaning of economic dependence (dominance), the next task is to find out what its dimensions are. The first is related to *time*. The same country is likely to exhibit different degrees of dependence (dominance) at different points in time, since the economic structures of any country are likely to change over time. This is the *time dimension* of dependence (dominance). The second dimension of dependence (dominance) is related to the stage of economic development that a country has reached. This can be called the *development dimension* of dependence (dominance).[6]

The second dimension of dependence can best be illustrated through example. Taking two countries, one—Japan—an economically advanced country, the other —Haiti—a country which is still at a primitive stage of economic development for our example. These two countries, belonging as they do to two sharply different stages of economic development, are affected by the present world energy crisis in different ways.

Japan, in an advanced stage of economic development (be measured either by per capita income or by per capita energy consumption) experiences major economic (and social) problems as a result of the energy crisis. Haiti, on the other hand, in a primitive stage of economic development, apparently experiences few major economic problems. The upper and few middle income people in

[6] The term "development dimension" is a contribution of my former mentor, Sayre P. Schatz, while the original idea was suggested to me by Simon Kuznets's article [9].

Haiti may experience some inconveniences and higher gasoline costs, but the great majority of the Haitian people may not even have noticed the existence of an energy crisis. On the other hand, the life style of the Japanese people is apt to be affected.

It follows that economic dependence for a UDC is likely to mean something different from dependence for an advanced country because, for one thing, they belong to different stages of economic development. For instance, while foreign trade is very important for both Japan and Chile, Japan's high reliance on foreign trade is cause for economic vulnerability; for Chile, the predominant role of copper in its exports is an element for economic dependence.[7] Japan is economically vulnerable, Chile is economically dependent.

Economic vulnerability implies that foreign economic transactions of a nation are very important to its economic well-being, and that the country in question can be substantially affected by fortuitous or deliberate economic measures taken abroad. However, economic vulnerability also implies that the economic structures of the vulnerable country are diversified and flexible enough to minimize the harm inflicted by measures taken abroad. And it means that countermeasures can be taken by the vulnerable country, and that domestic and foreign substitutes can be more or less easily developed.

Economic dependence, on the other hand, implies that the economy of the dependent country is so open and so overspecialized that the dependent country does not possess the necessary flexibility to shift resources, to develop substitutes, if and when the need arises, and to respond to fortuitous or deliberate economic measures taken abroad that are harmful to the dependent country.

III. DEPENDENCE AND UNDERDEVELOPMENT

Dependence is a function of both internal as well as external conditions of any particular country or group of countries. The form of dependence associated with internal conditions of a country may be called *internal dependence*. Internal dependence results from the constellation of domestic forces that keep a country economically underdeveloped.

On the other hand, dependence associated with external conditions is *external dependence*. External dependence encompasses the constellation of external forces that tend to keep a UDC underdeveloped.

Overall dependence encompasses both internal and external dependence and the interaction between these two forms.

The term dependence, as used in the Latin American literature, corresponds to the concept of external dependence. The thesis of the writers on dependence boils down to a statement that colonialism and capitalism have created an overspecialized productive structure in Latin America and the rest of the UDCs so that the net impact of each of these countries vis-à-vis the capitalist countries, especially the United States, is markedly smaller than zero.

[7] For this and other indicators or indices see my dissertation [8, Chap. 4].

Thus, while most mainstream development economists tend to find the causes of the underdevelopment of Latin America, and the rest of the UDCs, to lie in internal conditions or internal dependence, most Latin American writers on dependence, and radical economists in general, find the cause of underdevelopment in Latin America's external dependence on the capitalist countries in foreign trade, foreign investment, and related areas.[8]

[8] Suzanne Bodenheimer [1], for one, attempts to link external dependence to internal dependence and link both to the expansion of capitalism.

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