

9. Dependency Theory Today

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Born in Cuba, sociologist Miguel Centeno first encountered dependency theory in his first year of college in 1976. Although he does not see himself as a dependency theorist, he acknowledges the theory's vast influence in the studies of international economic history. He also points out that much of dependency's contribution has been silently incorporated into schools of thought that have aimed at explaining global capitalism.

How does your research agenda intersect with dependency theory?

I was first exposed to dependency theory in 1976, as a freshman in college. Reading Cardoso and Faletto, the theory seemed obvious and made so much sense to me. Of course, there are many different schools and strands of the theory, with competing arguments floating around. However, it seems logical that a country's position in trade helps determine all sorts of dynamics.

In my work, I have referenced some of the pillars of dependency theory, which unfortunately are still overlooked in some corners of academia. First, history matters. If we want to explain contemporary phenomena, it is critical that we account for historical factors. If you are trying to explain conditions in the present, you cannot simply begin at some random contemporary point, as the historical legacy of colonialism still matters.

Second, a country's position in the world matters. Regardless of the language you use, periphery, metropole, etc., a country's placement in the global network is relevant. In fact, dependency theory preceded a lot of the analysis in network theory in this regard, as it articulated how one is defined by relationships and not just by what one is.

Dependency theory informed my work on technocrats as it provided a framework to understand how knowledge was exported. It also helped shaped my views on war and geopolitics as mutually influential phenomena, and it influenced my understanding of

neoliberalism. In short, Cardoso and Faletto's theory offered me an epistemological set of assumptions from where to conduct my own work.

What do you think is the explanatory power of the theory?

It depends. On one hand, we need to be careful about historical over-determinism, and sometimes dependency has been misused in this way. In this context, the theory has been misinterpreted as a claim that the conditions determined in the past are inescapable. Unfortunately, this view produced a legacy characterised by fatalism.

On the other hand, the theory opens the door to an analysis of how history matters. This is its biggest insight. Now, it also translates into a particular set of policy challenges, which may not be obvious without those lenses. Particularly in the case of Latin America, the theory shows that a specific kind of economic growth is not going to get you very far. For example, although Peru is considered one of the great successes of the last 20 years, if you look at its export structure you will see that it has remained unchanged in the last 100 years or so. That structure means that there are very limited possibilities for organic growth.

What are the key variables one should look at to understand relations of dependency?

There are three. First, the structure of the relationships. Consider the case of imports and exports. Where does one fit within the structure of network flows? Second, within this structure, what does one produce and for whom? Third, how does the international market affect a country's domestic market?

In my view, these variables characterise the first order of analysis. From there, one moves into the second order, which entails the study of how history has helped define domestic relationships. Thus, even if your external relationships begin to shift, to what extent does it leave a legacy inside your domestic economy?

According to ECLAC, there was a net outflow of \$72 billion from Latin America between 2002 and 2008. How does this fact fit in contemporary narratives of dependency theory?

Well, this point needs to be treated on a case-by-case basis. Prior to the last two or three years, there was not a lot of capital flight out of Brazil. Conversely, a huge amount of capital left Argentina. These cases deal with net flows of capital for investment, for instance. I am more interested in the extent to which the domestic economy and domestic capital have to fulfil the expectations of international capital, and is dependent on that international capital. For example, in the last twenty years, scholars have

studied how fast money unbalances many of these economies simply because the domestic players always have to be worried about the bond market. Therefore, it is not the preoccupation that someone has invested in a given country, but rather that someone has not really committed investment to the country, which allows his or her capital to leave quickly. This lack of commitment creates a set of behavioural norms and expectations that can twist the outcome in a specific way.

In what ways do you think that dependency theory is relevant today?

In the specific case of Latin America, you simply cannot understand the continent without some basic reference to tenets of dependency theory. Although the theory was developed with Britain and the United States in mind, the drastic increase of commodity trade with China perpetuates its relevance. The Chinese demand for commodities has created a bubble in some of these countries. Chinese imports have destroyed some of the domestic industries in Latin American economies, particularly textiles, and Chinese investors have taken over critical elements of the economy. Therefore, the collapse of the Chinese bubble in the last three or four years is the perfect example of why dependency theory is still relevant. You cannot understand the collapse of Brazil's economy in the last few years without understanding to what extent Brazil depended on these commodity exports to China, and the economic dynamics that were created by this relationship.

Another example is El Salvador. The American immigration policy has a tremendous impact on the Salvadorian economy because of remittances of expatriates from that country. I believe they may be the country's biggest source of foreign currency. Haiti is another instance of dependency's relevance. The country is highly dependent on both remittances and global charity.

Thus, you can have dependency all the way from a giant like Brazil, which created a particular economic model far too dependent on commodity flows, to a minor country such as Haiti, fully dependent on remittances and charity.

Do you think that dependency is more relevant in some areas, say, Latin America, than in others?

I do think that dependency is driven by the specific historical model of Latin America. The commodity terms of trade between Latin America and the developed world were established five hundred years ago. Contrast this fact with the case of Africa, whose commodity trading with the global market is about 130 years old—although it is obvious that the slave trade had horrific impact in that continent. Latin America, as I argued, has been particularly marked by this long-standing relationship.

However, I believe that some principles can be applied to different contexts. Some of the theory's tenets can be applied to Africa, to the Middle East, and you can even talk about dependency in the case of China. One of that country's biggest problems right now is that it is trying to shift from an export-driven economy, albeit one of manufacturing rather than commodities, to a domestically driven economy. The growth of China was oriented more towards outside sales and less towards domestic consumption. Thus, reorienting this aspect of the economy has been a challenge to the Chinese because such a shift is difficult to achieve. However, a move towards a larger degree of domestic production and consumption driving your economy is important as a source of stability. It is difficult to say if China will remain an export-driven economy in the twenty-first century, but it was certainly the model of the end of the twentieth century.

What aspects of dependency theory need updating?

Methodologically, network analysis offers a very useful tool for dependency. We now have an abundance of data on flows of people, goods, and capital. Thus, if we used this richness of resources with network analysis, I believe that a much more sophisticated version of dependency could emerge.

We should also update the "comparador" mentality. In the nineteenth century, it was easy to make fun of Buenos Aires or Mexico City for wanting to look like Paris. This was part of the critique of Belle Époque in Latin America: the constant effort to emulate Europe. What does this emulation look like nowadays? I have done some work on the obsession with the American Ph.D.'s. The policy elite in Latin America often gets its education outside. These aspects can be used to update the theory.

What are the policy implications of dependency theory? Do institutions, such as social movements, have the power to make changes?

I am not a fan of the Bolivarian so-called revolution. A perfect example of the Venezuelan failure of the last 15 years to create a stable welfare state is that it never got off the oil tick. What changes did Chavez bring to the Venezuelan position in the global economy? He supported Cuba and made incendiary arguments against the United States, but in the end the oil kept flowing from Maracaibo to the refineries in the orient.

I think that a developmental state would be important to break with dependence, and the creation of a truly national bourgeoisie. Latin America has lacked a nationalist elite that can reject the global economy, which does not promote autarchy, but does promote national development. Many thought that the Brazilian elite was heading in that direction, but corruption prevented this process.

I do not think that a social movement will suffice. It is very hard to change a country's relationship to the rest of the world. Such transformation requires both state action and help from domestic capital.

But, is this not a paradox? Can the elite that fetishizes and emulates the core be trusted to advocate and advance national development?

I agree. This is the sense in which Latin America is trapped, both in terms of material connections and cultural assumptions. If I had an answer to how to circumvent this problem, I would be a lot more famous than I am. I do not know. Latin America is my despair. I have lived in South Korea for a couple of summers. If you take Seoul's subway, and compare that experience to the one you have in Mexico City or São Paulo, you notice that there is a difference both in the economic model and in the attitude.

Brazil is the heartbreak of all heartbreaks! Petrobras, which was seen as a centre of excellence turned out to be cesspool of corruption. What happened to the Brazilian national psyche was epitomized by the contrast between the famous Economist cover of the early 2000s, with the Christ statue taking off like a rocket, and the realisation that Petrobras was not all that it had been propped up to be. It is difficult to articulate how this is directly related to dependency, but Latin America needs a good shrink. A lot of it is material and structural, but a lot of it is also a result of a set of attitudes. I am very impatient with some aspects of the Latin American left, and the fact that it let Chavez do what he has done and it still lets Ortega do what he does. I think we certainly need an alternative to the right, but also an alternative to the left in Latin America. It should not be fighting battles from the 1960s.

Are there unanswered questions in dependency theory that you would like to see addressed?

Yes! How does one get out of all this? The classical example for Latin America is Japan in the 1880s. However, this example rejects what we might call dependent geopolitical relationships. So, since we did not follow that model, and since Latin America is stuck with a 200-year history, how do you fight that, but without the silly Chavez' solutions. While admitting this past and the structural challenges, how do we get around them? You see, while some people deny the dependent relationship, others see it as an inescapable trap, or treat it as the left did in the 1960s, blaming the United States for the current scenario. This is just silly. We need to get over this mentality. The constraints of historical dependency, which have clearly shaped the continent, will require a much more sophisticated analysis than that provided by the left or the right.

Why do you think there are so few dependency theorists today?

I think in some ways the theory was a victim of its own success. It has been absorbed into many other theories. For instance, a lot of dependency has been appropriated by the mainstream International Relations discipline, which looks at domestic political structures and global positions. In addition, dependency is so important to the study of Latin America, and relevant to all parts of the world, that it has become almost second nature. It is like being a biologist and having Evolution as your main theoretical approach.

Latin American political economy has never taken dependency theory to its next stage. There is a lot of simple internal recycling of old ideas, overplaying dependency, while the theory does not explain everything. Frankly, the intellectual spark that created dependency theory is now fifty years old. Nothing has really replaced it as a central intellectual idea, whether in Latin American Studies in the United States, or in Latin American Political Economy in Latin America.

What do you believe could be done to expand the application of dependency theory to policy?

That is a tough one. I believe all of us, not only Latin America, but also the United States and the rest of the world, have to understand how we have become dependent on this global machine. Some of us are getting high quality products from this machine. Some of us are getting low quality products from it. If you think of the Trump phenomenon, it is incomprehensible without an understanding of what happened to manufacturing in the U.S. Part of the sector's decline stems from the fact that the country's relationship to the global economy is no longer one of dominance. It has to accept, very much like Peru in the nineteenth century, the logic of this global market, over which it has no control. Ironically, in some ways, we are all dependency theorists now.

I would like to see a more explicit reference to dependency. The logic of dependency theory is present in a lot of analyses, but many do not acknowledge it because they see it as an old-school approach.

It seems that many scholars see dependency as a theory whose implosion was clear and quick. What guides this kind of view?

The academy is a market, and dependency theory does not produce the product that the academy likes. It does not produce statistical analysis to the same degree that many other theories do. It is almost a humanist approach to political and economic development. It is about history, subtleties and nuances, while American social sciences move beyond that, into the realm of Physics emulation. Dependency theory will have a

hard time surviving in a market in which rational choice theory or quantitative models are ubiquitous. It is a historical approach that is not particularly popular in the social sciences.

The theory is often criticised for being static, and for depriving Southern policy makers of agency. What is your response to that critique?

I think it is true. I think that the inability to move beyond the 1960s, and the insistence on still fighting Pinochet, has deprived the theory from developing new possibilities and fighting new battles, and finding new challenges. The theory can be over-deterministic and oversimplified, which is not good for any theory.

How is dependency an improvement on orthodox theory?

I do not think it can be placed in the same box as orthodox economics. It is not an economic theory. Instead, it is a theory of historical economic and political development. So, I do not think that there is a mutually exclusive set of options here. One is not forced to choose either Samuelson or Cardoso and Faletto.

[Orthodox] economics starts from the present onwards and discounts the history of institutions. I think that the biggest favour dependency theory did for economics, and you can see this in the work of people like Douglas North, was to bring historical patterns into focus. I suspect that you can trace North's recent awareness of historical patterns to the building of institutions in part to dependency theory. It is possible that the last thirty or forty years of more historically oriented economics may have been born in some seminar on dependency theory.