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THE STRUCTURE OF DEPENDENCE*

By THEOTONIO DOS SANTOS
University of Chile

This paper attempts to demonstrate that the dependence of Latin American countries on other countries cannot be overcome without a qualitative change in their internal structures and external relations. We shall attempt to show that the relations of dependence to which these countries are subjected conform to a type of international and internal structure which leads them to underdevelopment or more precisely to a dependent structure that deepens and aggravates the fundamental problems of their peoples.

I. *What is Dependence?*

By dependence we mean 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 these 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, which can have either a positive or a negative effect on their immediate development [7, p. 6].

The concept of dependence permits us to see the internal situation of these countries as part of world economy. In the Marxian tradition, the theory of imperialism has been developed as a study of the process of expansion of the imperialist centers and of their world domination. In the epoch of the revolutionary movement of the Third World, we have to develop the theory of laws of internal development in those countries that are the object of such expansion and are governed by them. This theoretical step transcends the theory of development which seeks to explain the situation of the underdeveloped countries as a product of their slowness or failure to adopt the patterns of efficiency characteristic of developed countries (or to "modernize" or "develop" themselves). Although capitalist development theory admits the existence of an "external" dependence, it is unable to perceive underdevelopment in the way our present theory perceives it, as a consequence and part of the process of the world expansion of capitalism—a part that is necessary to and integrally linked with it.

In analyzing the process of constituting a world economy that integrates the so-called "national economies" in a world market of commodities, capital, and even of labor power, we see that the relations produced by this market are unequal and combined—unequal because development of parts of the system occurs at the expense of other parts. Trade relations are based on monopolistic control of the market, which leads to the transfer of surplus generated in the dependent countries to the dominant countries; financial relations are, from the viewpoint of the dominant powers, based on loans and the export of capital, which permit them to receive interest and profits; thus increasing their domestic surplus and strengthening their control over the economies of the other countries. For the dependent countries these relations represent an export of profits and interest which carries off part of the surplus generated domestically and leads to a loss of control over their productive resources. In order to permit these disadvantageous relations, the dependent countries must generate large surpluses, not in such a way as to create higher levels of technology but rather superexploited manpower. The result is to limit the development of their internal market and their technical and cultural capacity, as well as the moral and physical health of their people. We call this combined development because it is the combination of these inequalities and the transfer of resources from the most backward and dependent sectors to the most advanced and dominant ones which explains the inequality, deepens it, and transforms it into a necessary and structural element of the world economy.

II. *Historic Forms of Dependence*

Historic forms of dependence are conditioned by: (1) the basic forms of this world economy which has its own laws of development; (2) the type of economic relations dominant in the capi-

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talist centers and the ways in which the latter expand outward; and (3) the types of economic relations existing inside the peripheral countries which are incorporated into the situation of dependence within the network of international economic relations generated by capitalist expansion. It is not within the purview of this paper to study these forms in detail but only to distinguish broad characteristics of development.

Drawing on an earlier study, we may distinguish: (1) Colonial dependence, trade export in nature, in which commercial and financial capital in alliance with the colonialist state dominated the economic relations of the Europeans and the colonies, by means of a trade monopoly complemented by a colonial monopoly of land, mines, and manpower (serf or slave) in the colonized countries. (2) Financial-industrial dependence which consolidated itself at the end of the nineteenth century, characterized by the domination of big capital in the hegemonic centers, and its expansion abroad through investment in the production of raw materials and agricultural products for consumption in the hegemonic centers. A productive structure grew up in the dependent countries devoted to the export of these products (which Levin labeled export economies [11]; other analysis in other regions [12] [13]), producing what ECLA has called "foreign-oriented development" (*desarrollo hacia afuera*) [4]. (3) In the postwar period a new type of dependence has been consolidated, based on multinational corporations which began to invest in industries geared to the internal market of underdeveloped countries. This form of dependence is basically technological-industrial dependence [6].

Each of these forms of dependence corresponds to a situation which conditioned not only the international relations of these countries but also their internal structures: the orientation of production, the forms of capital accumulation, the reproduction of the economy, and, simultaneously, their social and political structure.

III. *The Export Economies*

In forms (1) and (2) of dependence, production is geared to those products destined for export (gold, silver, and tropical products in the colonial epoch; raw materials and agricultural products in the epoch of industrial-financial dependence); i.e., production is determined by demand from the hegemonic centers. The internal productive structure is characterized by rigid specialization and monoculture in entire regions (the Caribbean, the Brazilian Northeast, etc.). Alongside these export sectors there grew up certain complementary economic activities (cattle-raising and some manufacturing, for example) which were dependent, in general, on the export sector to which they sell their products. There was a third, subsistence economy which provided manpower for the export sector under favorable conditions and toward which excess population shifted during periods unfavorable to international trade.

Under these conditions, the existing internal market was restricted by four factors: (1) Most of the national income was derived from export, which was used to purchase the inputs required by export production (slaves, for example) or luxury goods consumed by the hacienda- and mine-owners, and by the more prosperous employees. (2) The available manpower was subject to very arduous forms of superexploitation, which limited its consumption. (3) Part of the consumption of these workers was provided by the subsistence economy, which served as a complement to their income and as a refuge during periods of depression. (4) A fourth factor was to be found in those countries in which land and mines were in the hands of foreigners (cases of an enclave economy): a great part of the accumulated surplus was destined to be sent abroad in the form of profits, limiting not only internal consumption but also possibilities of reinvestment [1]. In the case of enclave economies the relations of the foreign companies with the hegemonic center were even more exploitative and were complemented by the fact that purchases by the enclave were made directly abroad.

IV. *The New Dependence*

The new form of dependence, (3) above, is in process of developing and is conditioned by the exigencies of the international commodity and capital markets. The possibility of generating new investments depends on the existence of financial resources in foreign currency for the purchase of machinery and processed raw materials not produced domestically. Such purchases are subject to two limitations: the limit of resources generated by the export sector (reflected in the balance of payments, which includes not only trade but also service relations); and the limitations of monopoly on patents which leads monopolistic firms to prefer to transfer their machines in the form of capital rather than as commodities for sale. It is necessary to analyze these relations of dependence if we are to understand the fundamental structural limits they place on the development of these economies.

1. Industrial development is dependent on an export sector for the foreign currency to buy the

inputs utilized by the industrial sector. The first consequence of this dependence is the need to preserve the traditional export sector, which limits economically the development of the internal market by the conservation of backward relations of production and signifies, politically, the maintenance of power by traditional decadent oligarchies. In the countries where these sectors are controlled by foreign capital, it signifies the remittance abroad of high profits, and political dependence on those interests. Only in rare instances does foreign capital not control at least the marketing of these products. In response to these limitations, dependent countries in the 1930's and 1940's developed a policy of exchange restrictions and taxes on the national and foreign export sector; today they tend toward the gradual nationalization of production and toward the imposition of certain timid limitations on foreign control of the marketing of exported products. Furthermore, they seek, still somewhat timidly, to obtain better terms for the sale of their products. In recent decades, they have created mechanisms for international price agreements, and today UNCTAD and ECLA press to obtain more favorable tariff conditions for these products on the part of the hegemonic centers. It is important to point out that the industrial development of these countries is dependent on the situation of the export sector, the continued existence of which they are obliged to accept.

2. Industrial development is, then, strongly conditioned by fluctuations in the balance of payments. This leads toward deficit due to the relations of dependence themselves. The causes of the deficit are three:

a) Trade relations take place in a highly monopolized international market, which tends to lower the price of raw materials and to raise the prices of industrial products, particularly inputs. In the second place, there is a tendency in modern technology to replace various primary products with synthetic raw materials. Consequently the balance of trade in these countries tends to be less favorable (even though they show a general surplus). The overall Latin American balance of trade from 1946 to 1968 shows a surplus for each of those years. The same thing happens in almost every underdeveloped country. However, the losses due to deterioration of the terms of trade (on the basis of data from ECLA and the International Monetary Fund), excluding Cuba, were $26,383 million for the 1951-66 period, taking 1950 prices as a base. If Cuba and Venezuela are excluded, the total is $15,925 million.

b) For the reasons already given, foreign capital retains control over the most dynamic sectors of the economy and repatriates a high volume of profit; consequently, capital accounts are highly unfavorable to dependent countries. The data show that the amount of capital leaving the country is much greater than the amount entering; this produces an enslaving deficit in capital accounts. To this must be added the deficit in certain services which are virtually under total foreign control—such as freight transport, royalty payments, technical aid, etc. Consequently, an important deficit is produced in the total balance of payments; thus limiting the possibility of importation of inputs for industrialization.

c) The result is that "foreign financing" becomes necessary, in two forms: to cover the existing deficit, and to "finance" development by means of loans for the stimulation of investments and to "supply" an internal economic surplus which was decapitalized to a large extent by the remittance of part of the surplus generated domestically and sent abroad as profits.

Foreign capital and foreign "aid" thus fill up the holes that they themselves created. The real value of this aid, however, is doubtful. If overcharges resulting from the restrictive terms of the aid are subtracted from the total amount of the grants, the average net flow, according to calculations of the Inter-American Economic and Social Council, is approximately 54 percent of the gross flow [5].

If we take account of certain further facts—that a high proportion of aid is paid in local currencies, that Latin American countries make contributions to international financial institutions, and that credits are often "tied"—we find a "real component of foreign aid" of 42.2 percent on a very favorable hypothesis and of 38.3 percent on a more realistic one [5, II-33]. The gravity of the situation becomes even clearer if we consider that these credits are used in large part to finance North American investments, to subsidize foreign imports which compete with national products, to introduce technology not adapted to the needs of underdeveloped countries, and to invest in low-priority sectors of the national economies. The hard truth is that the underdeveloped countries have to pay for all of the "aid" they receive. This situation is generating an enormous protest movement by Latin American governments seeking at least partial relief from such negative relations.

3. Finally, industrial development is strongly conditioned by the technological monopoly exercised by imperialist centers. We have seen that the underdeveloped countries depend on the importation of machinery and raw materials for the

development of their industries. However, these goods are not freely available in the international market; they are patented and usually belong to the big companies. The big companies do not sell machinery and processed raw materials as simple merchandise: they demand either the payment of royalties, etc., for their utilization or, in most cases, they convert these goods into capital and introduce them in the form of their own investments. This is how machinery which is replaced in the hegemonic centers by more advanced technology is sent to dependent countries as capital for the installation of affiliates. Let us pause and examine these relations, in order to understand their oppressive and exploitative character.

The dependent countries do not have sufficient foreign currency, for the reasons given. Local businessmen have financing difficulties, and they must pay for the utilization of certain patented techniques. These factors oblige the national bourgeois governments to facilitate the entry of foreign capital in order to supply the restricted national market, which is strongly protected by high tariffs in order to promote industrialization. Thus, foreign capital enters with all the advantages: in many cases, it is given exemption from exchange controls for the importation of machinery; financing of sites for installation of industries is provided; government financing agencies facilitate industrialization; loans are available from foreign and domestic banks, which prefer such clients; foreign aid often subsidizes such investments and finances complementary public investments; after installation, high profits obtained in such favorable circumstances can be reinvested freely. Thus it is not surprising that the data of the U.S. Department of Commerce reveal that the percentage of capital brought in from abroad by these companies is but a part of the total amount of invested capital. These data show that in the period from 1946 to 1967 the new entries of capital into Latin America for direct investment amounted to $5,415 million, while the sum of reinvested profits was $4,424 million. On the other hand, the transfers of profits from Latin America to the United States amounted to $14,775 million. If we estimate total profits as approximately equal to transfers plus reinvestments we have the sum of $18,983 million. In spite of enormous transfers of profits to the United States, the book value of the United States's direct investment in Latin America went from $3,045 million in 1946 to $10,213 million in 1967. From these data it is clear that: (1) Of the new investments made by U.S. companies in Latin America for the period 1946–67, 55 percent corresponds to new entries of capital and 45 percent to reinvestment of profits; in recent years, the trend is more marked, with reinvestments between 1960 and 1966 representing more than 60 percent of new investments. (2) Remittances remained at about 10 percent of book value throughout the period. (3) The ratio of remitted capital to new flow is around 2.7 for the period 1946–67; that is, for each dollar that enters $2.70 leaves. In the 1960's this ratio roughly doubled, and in some years was considerably higher.

The *Survey of Current Business* data on sources and uses of funds for direct North American investment in Latin America in the period 1957–64 show that, of the total sources of direct investment in Latin America, only 11.8 percent came from the United States. The remainder is in large part, the result of the activities of North American firms in Latin America (46.4 percent net income, 27.7 percent under the heading of depreciation), and from "sources located abroad" (14.1 percent). It is significant that the funds obtained abroad that are external to the companies are greater than the funds originating in the United States.

V. *Effects on the Productive Structure*

It is easy to grasp, even if only superficially, the effects that this dependent structure has on the productive system itself in these countries and the role of this structure in determining a specified type of development, characterized by its dependent nature.

The productive system in the underdeveloped countries is essentially determined by these international relations. In the first place, the need to conserve the agrarian or mining export structure generates a combination between more advanced economic centers that extract surplus value from the more backward sectors, and also between internal "metropolitan" centers and internal interdependent "colonial" centers [10]. The unequal and combined character of capitalist development at the international level is reproduced internally in an acute form. In the second place the industrial and technological structure responds more closely to the interests of the multinational corporations than to internal developmental needs (conceived of not only in terms of the overall interests of the population, but also from the point of view of the interests of a national capitalist development). In the third place, the same technological and economic-financial concentration of the hegemonic economies is transferred without substantial alteration to very different economies and societies, giving rise to a highly unequal pro-

ductive structure, a high concentration of incomes, underutilization of installed capacity, intensive exploitation of existing markets concentrated in large cities, etc.

The accumulation of capital in such circumstances assumes its own characteristics. In the first place, it is characterized by profound differences among domestic wage-levels, in the context of a local cheap labor market, combined with a capital-intensive technology. The result, from the point of view of relative surplus value, is a high rate of exploitation of labor power. (On measurements of forms of exploitation, see [3].)

This exploitation is further aggravated by the high prices of industrial products enforced by protectionism, exemptions and subsidies given by the national governments, and "aid" from hegemonic centers. Furthermore, since dependent accumulation is necessarily tied into the international economy, it is profoundly conditioned by the unequal and combined character of international capitalist economic relations, by the technological and financial control of the imperialist centers by the realities of the balance of payments, by the economic policies of the state, etc. The role of the state in the growth of national and foreign capital merits a much fuller analysis than can be made here.

Using the analysis offered here as a point of departure, it is possible to understand the limits that this productive system imposes on the growth of the internal markets of these countries. The survival of traditional relations in the countryside is a serious limitation on the size of the market, since industrialization does not offer hopeful prospects. The productive structure created by dependent industrialization limits the growth of the internal market.

First, it subjects the labor force to highly exploitative relations which limit its purchasing power. Second, in adopting a technology of intensive capital use, it creates very few jobs in comparison with population growth, and limits the generation of new sources of income. These two limitations affect the growth of the consumer goods market. Third, the remittance abroad of profits carries away part of the economic surplus generated within the country. In all these ways limits are put on the possible creation of basic national industries which could provide a market for the capital goods this surplus would make possible if it were not remitted abroad.

From this cursory analysis we see that the alleged backwardness of these economies is not due to a lack of integration with capitalism but that, on the contrary, the most powerful obstacles to their full development come from the way in which they are joined to this international system and its laws of development.

VI. *Some Conclusions: Dependent Reproduction*

In order to understand the system of dependent reproduction and the socioeconomic institutions created by it, we must see it as part of a system of world economic relations based on monopolistic control of large-scale capital, on control of certain economic and financial centers over others, on a monopoly of a complex technology that leads to unequal and combined development at a national and international level. Attempts to analyze backwardness as a failure to assimilate more advanced models of production or to modernize are nothing more than ideology disguised as science. The same is true of the attempts to analyze this international economy in terms of relations among elements in free competition, such as the theory of comparative costs which seeks to justify the inequalities of the world economic system and to conceal the relations of exploitation on which it is based [14].

In reality we can understand what is happening in the underdeveloped countries only when we see that they develop within the framework of a process of dependent production and reproduction. This system is a dependent one because it reproduces a productive system whose development is limited by those world relations which necessarily lead to the development of only certain economic sectors, to trade under unequal conditions [9], to domestic competition with international capital under unequal conditions, to the imposition of relations of superexploitation of the domestic labor force with a view to dividing the economic surplus thus generated between internal and external forces of domination. (On economic surplus and its utilization in the dependent countries, see [1].)

In reproducing such a productive system and such international relations, the development of dependent capitalism reproduces the factors that prevent it from reaching a nationally and internationally advantageous situation; and it thus reproduces backwardness, misery, and social marginalization within its borders. The development that it produces benefits very narrow sectors, encounters unyielding domestic obstacles to its continued economic growth (with respect to both internal and foreign markets), and leads to the progressive accumulation of balance-of-payments deficits, which in turn generate more dependence and more superexploitation.

The political measures proposed by the devel-

opmentalists of ECLA, UNCTAD, BID, etc., do not appear to permit destruction of these terrible chains imposed by dependent development. We have examined the alternative forms of development presented for Latin America and the dependent countries under such conditions elsewhere [8]. Everything now indicates that what can be expected is a long process of sharp political and military confrontations and of profound social radicalization which will lead these countries to a dilemma: governments of force which open the way to facism, or popular revolutionary governments, which open the way to socialism. Intermediate solutions have proved to be, in such a contradictory reality, empty and utopian.

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