

9

Economic Development and Underdevelopment

Sometime after the end of World War II, social scientists began to speak of three "worlds." These worlds represented social, economic, and political categories into which contemporary societies could be placed. The First World consisted of the industrially advanced capitalist nations, which had parliamentary democratic forms of government: the United States, Canada, England, France, the Netherlands, Sweden, most of the rest of western and northern Europe, and also Australia and Japan. The Second World was industrially advanced, or at least on the path toward industrial development, but the societies of this category had socialist economies and totalitarian forms of government. Included in this category were the Soviet Union and the eastern European socialist states. The rest of the world, not counting primitive or preliterate societies, was the Third World. This world consisted of the poor, technologically backward, economically underdeveloped societies constituting most of Latin America, Africa, and Asia.

Having conceptualized something called a Third World, social scientists proceeded vigorously to study it. Many kinds of social scientists became involved in investigations focusing on different aspects of life in the Third World. Yet the overriding question for most investigators was why the societies of the Third World had failed to achieve the levels of technological and economic development, as well as the social patterns, so characteristic of the First World, and to some degree of the Second. They asked, putting it more simply, Why are poor countries poor? This question is the principal focus of the current chapter. After discussing the nature of underdevelopment, the chapter will examine the major theories that social scientists have proposed to explain underdevelopment. Then it turns to look at regional patterns of development and underdevelopment in East Asia, Latin America, and sub-Saharan Africa. The chapter also looks at the relationship between a country's position in the capitalist world-system and the nature of its state structure, paying particular attention to its level of democracy.

The Nature of Underdevelopment

Social scientists first called the societies of the Third World "backward nations," but later abandoned this expression as derogatory, adopting instead the expressions "underdeveloped societies," "less-developed societies," and "developing nations."

Although these terms have also been criticized and others proposed, they have stuck and continue to be used by most social scientists. To understand exactly what is meant by underdevelopment, or by an underdeveloped nation, a useful first step is to distinguish between *underdevelopment* and *undevelopment* (Frank, 1966). *Undeveloped societies* may be regarded as those outside the framework of a capitalist world-economy that rely on preindustrial technology in the context of a precapitalist economy. Societies surviving by hunting and gathering, horticultural, pastoral, or agrarian methods of production, and having some sort of premarket economy are referred to as *undeveloped*. The term *underdevelopment* is reserved for societies incorporated into a capitalist world-economy and functioning within it in some way. **Underdeveloped societies** may thus be regarded as the least technologically and economically advanced members of the modern world-system.

There are a number of reasons why the underdeveloped world became an object of intense social-scientific scrutiny after World War II. For one, the Third World was seen (by antagonists on both sides) as a major battle ground in the so-called Cold War between the First and Second Worlds. Another reason concerns the sheer size of the gulf that separated the First and Third Worlds. It is difficult to overstate the degree to which the lives led by average people in the First World differ from those led by the majority of the population of the Third World. A good place to start, then, is with the basic facts regarding underdevelopment.

The most commonly used measure of economic development is a nation's per capita Gross Domestic Product (GDP), which is the total value of goods and services it produces per person in a given year (a similar measure that is often used is the Gross National Product, or GNP, which is now sometimes called Gross National Income, or GNI). It can be seen that most of the underdeveloped nations have per capita GDPs that are quite low when compared to those of the developed nations. The average per capita GDP of the underdeveloped nations shown in Table 9.1 is \$4,580, obviously much lower than the average for the developed capitalist nations, which is \$26,073. There are significant differences between different regions of the less-developed world. Latin America is best off, with an average per capita GDP of \$6,540; Asia is next, with an average of \$5,136, and Africa lags far behind at \$2,065. Actually, this figure for Africa is misleading, for there are major differences in geography and culture between Africa north of the Sahara and sub-Saharan Africa. North Africa is dry, inhabited largely by Arab populations with a history of agriculture and pastoralism, and largely Islamic in religion; sub-Saharan Africa, by contrast, is tropical or subtropical and inhabited by a wide range of societies with mostly horticultural economies (although pastoral economies have been found throughout the drier parts of East Africa). These two parts of Africa belong to essentially different worlds, and their levels of economic development reflect it: North Africa's per capita GDP is \$4,163, whereas sub-Saharan Africa's is a dramatically lower \$1,165.

We have separated out four Asian societies that once belonged to the underdeveloped world but that have experienced so much economic development that they essentially have become recent members of the developed world: South Korea, Taiwan, Hong Kong, and Singapore. Their average GDP per capita is \$20,497, obviously much closer to the rest of the developed world than to the less-developed world.

TABLE 9.1 Social, Demographic, and Economic Characteristics of Selected Contemporary Nations at Different Levels of Economic Development

Country	POP	RNI	CHM	LFA	GDP	POV	GIN	KWH
Developed Countries								
Denmark	5.4	0.4	6	4	27,627	—	0.247	6,030
Sweden	8.9	0.3	4	3	24,277	6	0.250	14,138
Norway	4.5	0.6	5	4	29,918	4	0.258	24,248
United Kingdom	59.9	0.4	6	2	23,509	16	0.368	5,384
France	59.2	0.4	6	2	24,223	10	0.327	6,392
Germany	82.2	0.3	6	3	25,103	7	0.300	5,690
Netherlands	16.0	0.6	7	3	25,657	7	0.326	5,993
Belgium	10.3	0.3	7	3	27,178	—	0.287	7,286
Italy	57.7	0.2	7	5	23,626	—	0.273	4,535
Spain	39.5	0.2	6	7	19,472	—	0.325	4,497
Canada	31.0	1.0	7	4	27,840	7	0.315	15,260
United States	284.0	1.2	9	3	34,142	14	0.408	11,994
Australia	19.4	1.2	7	5	25,693	18	0.352	8,884
Japan	127.1	0.3	5	6	26,755	—	0.249	7,443
Postsocialist Countries								
Russia	144.8	-0.2	19	12	8,377	25	0.487	4,050
Czech Republic	10.3	-0.1	7	5	13,991	2	0.254	4,682
Poland	38.7	0.1	11	19	9,051	2	0.316	2,388
Bulgaria	8.1	-0.6	16	—	5,710	22	0.264	2,899
Hungary	10.2	-0.2	11	7	12,416	7	0.244	2,874
Romania	22.4	-0.3	23	42	6,423	28	0.311	1,511
Newly Developed Countries								
South Korea	47.6	1.0	10	11	17,380	2	0.316	5,160
Taiwan	22.2	0.8	7	—	16,100	—	—	—
Hong Kong	6.9	1.7	—	0	25,153	—	—	5,178
Singapore	4.1	2.7	6	0	23,356	—	—	6,641
Underdeveloped Countries								
<i>Latin America</i>								
Mexico	99.4	1.6	36	15	9,023	16	0.531	1,570
Brazil	172.6	1.4	39	23	7,625	12	0.607	1,811
Venezuela	24.6	2.1	24	9	5,794	23	0.495	2,493
Peru	26.1	1.7	41	36*	4,799	16	0.462	654
Bolivia	8.5	2.4	79	47*	2,424	14	0.447	390
Argentina	37.5	1.3	22	1	12,377	—	—	1,938
Uruguay	3.4	0.7	17	4	9,035	2	0.423	1,871
El Salvador	6.4	2.0	35	22	4,497	21	0.522	568
Guatemala	11.7	2.6	49	25	3,821	10	0.558	341
Panama	2.9	1.7	24	14	6,000	14	0.485	1,310

TABLE 9.1 (Continued)

Country	POP	RNI	CHM	LFA	GDP	POV	GIN	KWH
Underdeveloped Countries (continued)								
<i>Asia</i>								
Saudi Arabia	21.4	2.8	23	19*	11,367	—	—	4,710
Iran	64.7	1.6	41	—	5,884	—	—	1,407
Jordan	5.0	4.2	30	15*	3,966	2	0.364	1,207
India	1033.4	1.8	88	64*	2,358	44	0.378	379
Nepal	23.6	2.4	105	—	1,327	38	0.367	47
China	1271.9	1.0	39	72*	3,976	19	0.403	758
Indonesia	213.6	1.6	51	42	3,043	13	0.317	345
Thailand	61.2	0.9	33	44	6,402	2	0.414	1,352
Malaysia	23.8	2.4	11	17	9,068	—	0.492	2,474
Philippines	77.0	2.1	39	37	3,971	—	0.462	454
<i>Africa</i>								
Egypt	65.2	2.0	52	32	3,635	3	0.289	900
Algeria	30.9	1.9	39	—	5,308	2	0.353	581
Morocco	29.2	1.8	60	—	3,546	2	0.395	430
Senegal	9.8	2.6	129	77*	1,510	26	0.413	114
Kenya	30.7	2.5	120	80*	1,022	27	0.449	126
Tanzania	34.5	2.7	149	84*	523	20	0.382	55
Ghana	19.7	2.4	112	59*	1,964	45	0.407	204
Ethiopia	65.8	2.3	179	89	668	31	0.400	21
Madagascar	16.0	2.9	144	—	840	49	0.381	—
Ivory Coast	16.4	3.0	180	—	1,630	12	0.367	—

Legend: POP = total population in millions (2001); RNI = annual percentage of population increase (1990–2001); CHM = child mortality rate, calculated as the annual number of deaths to children from birth to age 5 per 1,000 children of that age group (2000); LFA = percentage of the labor force employed in agriculture (1995–2001); GDP = Gross Domestic Product per capita calculated in U.S. dollars (2000); POV = percentage of the population living in poverty, defined as an income of \$1 or less per day for the less-developed countries, \$2 or less per day for the postsocialist countries, and \$11 or less per day for the developed countries (years vary between 1994 and 1998); GIN = the Gini coefficient, a measure of income inequality that varies from 0 to 1.0 (the higher the coefficient, the greater the inequality) (2001); KWH = kilowatt hours of electricity consumed per capita per year (1999).

*These data come from the World Bank (1997) and are for 1990.

Sources: The data for POP, RNI, CHM, and GIN come from the World Bank (2003). Data for LFA, GDP, and KWH come from the United Nations (2002). POV data for underdeveloped and postsocialist countries are from the World Bank (2003), whereas POV data for developed countries are from the United Nations (2001). Data for Taiwan come from Collinwood (2001).

The general measure of technological advancement used in Table 9.1 is the number of kilowatt hours (KWH) of electricity consumed per person per year, long considered perhaps the best indicator of the level of industrialization. The developed capitalist countries and the postsocialist countries in Table 9.1 average 9,127 kilowatt hours consumed per year. By contrast, the underdeveloped nations average just 1,018 hours consumed (1,295 in Latin America, 1,313 in Asia, and only 304 in Africa).

In much of the underdeveloped world today, agriculture remains an extremely important economic activity, and, in some countries, peasants still outnumber workers of any other type. Most of these peasants farm small plots of land using techniques inherited from their ancestors thousands of years ago. Although industrialization and the formation of working classes has proceeded to some extent in all underdeveloped nations, in many it has not gone very far. In the underdeveloped nations shown in Table 9.1, approximately 39 percent of the labor force is engaged in agriculture (LFA); the figure is lowest in Latin America (20 percent), highest in Africa (70 percent), and in between in Asia (39 percent). By contrast, only some 5 percent of the labor force is engaged in agriculture in the industrial capitalist societies.

Underdevelopment involves considerably more than low levels of technological and economic development. It also has important social dimensions. Social and economic inequality is an especially important characteristic of underdeveloped societies. In most underdeveloped societies, wealth is enormously concentrated in the hands of a few, and tiny elites generally dominate the manufacturing and agricultural sectors of the economy. Throughout the Third World, the bulk of the land is normally owned by a tiny fraction of the population. What is true of the inequality of wealth also holds for income inequality. As the data for the Gini coefficient (GIN) in Table 9.1 reveal, income inequality in underdeveloped nations is notably higher than in developed countries. In the developed countries, the Gini coefficient averages 0.306, whereas it averages 0.428 in the underdeveloped countries (0.503 in Latin America, 0.400 in Asia, and 0.384 in Africa).

Table 9.2 presents another look at income inequality, comparing the shares of the income "pie" received by the top and bottom 10 percent of the population, and the ratio between the two. In the developed countries in Table 9.2, the top 10 percent receives on average slightly more than 8 times the income of the bottom 10 percent. In the underdeveloped countries, the top 10 percent receives an average of nearly 25 times the income of the bottom 10 percent (36 times in Latin America, 13 times in Asia, and 21 times in Africa). So, not only is the income pie considerably *smaller* in the underdeveloped countries owing to their lower per capita GDPs, but it is divided up far more *unequally*.

What of the standard of living of everyday people in such societies? Per capita GDP is the mostly commonly used indicator of the standard of living in a country. By that metric, we have seen that the standard of living in the developed countries in Table 9.1 is on average nearly 6 times higher than it is in the underdeveloped countries. However, we have to be careful in using GDP as an indicator of the standard of living, because it does not take into account the very different levels of inequality in the two groups of countries, and especially the proportion of the population living in poverty.

Table 9.3 presents the percentage of the population living in poverty in selected societies in the less-developed world. It is common practice to set poverty levels in the Third World at either less than \$1 a day or less than \$2 a day. As can clearly be seen, the standard of living in most underdeveloped nations is very low. On average, about 26 percent of the population in these countries lives on less than \$1 a day

TABLE 9.2 Income Inequality in Developed and Underdeveloped Nations

Country	Income Share of Bottom 10%*	Income Share of Top 10%†	Ratio of Top 10% to Bottom 10%
Developed Nations			
Denmark	3.6	20.5	5.7:1
Sweden	3.7	20.1	5.4:1
United Kingdom	2.3	27.7	12.0:1
France	2.8	25.1	9.0:1
Germany	3.3	23.7	7.2:1
Netherlands	2.8	25.1	9.0:1
Canada	2.8	23.8	8.5:1
United States	1.8	30.5	16.9:1
Australia	2.0	25.4	12.7:1
Japan	4.8	21.7	4.5:1
Latin America			
Mexico	1.3	41.7	32.0:1
Brazil	0.7	48.0	68.6:1
Venezuela	0.8	36.5	45.6:1
Peru	1.6	35.4	22.1:1
Bolivia	1.3	32.0	24.6:1
El Salvador	1.2	39.5	32.9:1
Guatemala	1.6	46.0	28.8:1
Asia			
Philippines	2.3	36.6	15.9:1
Jordan	3.3	29.8	9.0:1
India	3.5	33.5	9.6:1
China	2.4	30.4	12.7:1
Indonesia	4.0	26.7	6.7:1
Cambodia	2.9	33.8	11.7:1
Malaysia	1.7	38.4	22.6:1
Africa			
Egypt	4.4	25.0	5.7:1
Nigeria	1.6	40.8	25.5:1
Senegal	2.6	33.5	12.9:1
Kenya	2.4	36.1	15.0:1
Tanzania	2.8	30.1	10.8:1
Cent. African Rep.	0.7	47.7	68.1:1
Zambia	1.1	41.0	37.3:1

*Proportion of total national income received by the bottom 10% of the population

†Proportion of total national income received by the top 10% of the population

Source: World Bank (2003). The data are for varying years between 1993 and 1999.

TABLE 9.3 International Poverty Lines: Percentage of the Population Below \$1 and \$2 a Day in Selected Underdeveloped Countries

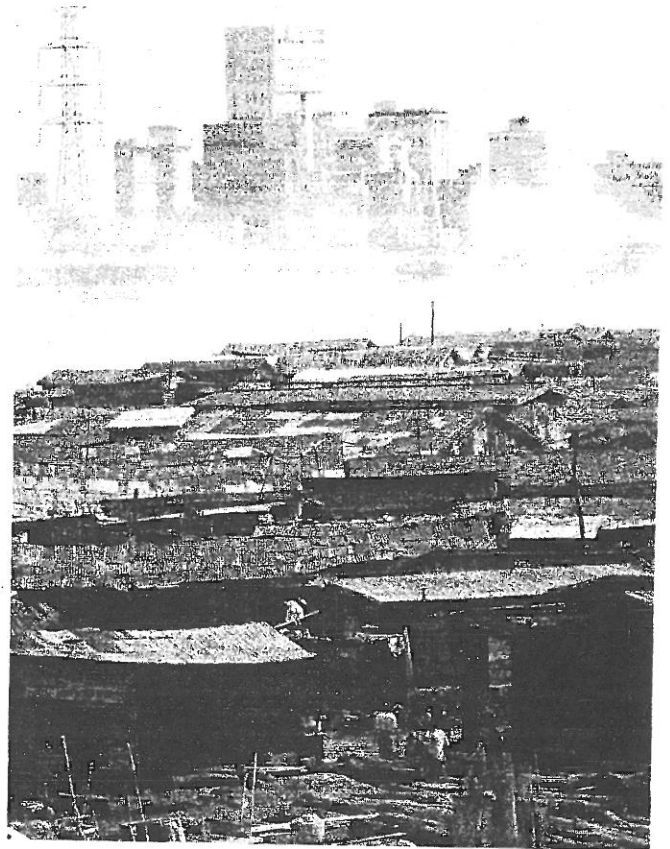
Country	Population Below \$1 a Day	Population Below \$2 a Day
Latin America		
Mexico	15.9	37.7
Brazil	11.6	26.5
Venezuela	23.0	47.0
Peru	15.5	41.4
Bolivia	14.4	34.3
El Salvador	21.0	44.5
Guatemala	10.0	33.8
Asia		
Bangladesh	29.1	77.8
Jordan	2.0	7.4
India	44.2	86.2
China	18.8	52.6
Indonesia	12.9	65.5
Nepal	37.7	82.5
Pakistan	31.0	84.7
Africa		
Egypt	3.1	52.7
Nigeria	70.2	90.8
Senegal	26.3	67.8
Kenya	26.5	62.3
Mozambique	37.9	78.4
Cameroon	33.4	64.4
Zambia	63.7	87.4

Source: World Bank (2003). The data are for varying years between 1994 and 1999.

(16 percent in Latin America, 25 percent in Asia, and 37 percent in Africa), and 58 percent lives on less than \$2 a day (38 percent in Latin America, 65 percent in Asia, and 72 percent in Africa).

Far fewer people are living in poverty in the developed world (Table 9.1). Here, the average is only about 10 percent, but it is actually much less than that if we use the poverty standards applied to the Third World. This 10 percent represents the proportion of the population living on less than \$11 a day, obviously a much higher level than the poverty levels set for the Third World. By Third World poverty standards, virtually no one in the developed world is living in poverty.

Underdeveloped societies also stand out because of their demographic features. They are growing at a rate some four times faster than the developed nations (RNI). The developed countries are growing at about 0.5 percent a year, whereas the



Slum in Lagos, Nigeria, with the skyline of Lagos in the background. Poverty often reaches extreme proportions in Third World countries.

less-developed countries are growing at a rate of about 2.1 percent (1.8 percent in Latin America, 2.1 percent in Asia, and 2.4 percent in Africa). This greater rate of growth is attributable to the fact that much of the underdeveloped world is still in the second stage of the demographic transition: death rates have fallen in recent decades owing to improvements in sanitation, health care, and the like, but birth-rates remain high. The underdeveloped nations currently constitute about three-fourths of the world's population, but because of their rapid growth rates, an ever greater percentage of the world's population will live in these nations in the years ahead. Many scholars argue that rapid population growth is creating increasingly severe problems in the underdeveloped world, and for some Asian and African nations, population growth has created problems of crisis proportions.

A final characteristic of the underdeveloped world involves general standards of nutrition and health. One of the most useful measures of a nation's overall nutritional and health status is its child mortality rate (CHM). As can be seen from Table 9.1, child mortality rates are much higher in underdeveloped countries. Whereas the developed capitalist nations have child mortality rates of approximately 6 per 1,000 children, the underdeveloped nations in Table 9.1 have an average rate of just over

66—eleven times higher. (The rates by continent are 37 in Latin America, 46 in Asia, and a huge 116 in Africa.)

Why Underdevelopment?

How can we explain not only the historical problem of underdevelopment but also the marked failure of most of the underdeveloped world to move toward the status of the developed nations? Social scientists have developed three principal theoretical approaches to the problem of underdevelopment: *modernization theory*, *dependency theory*, and *world-system theory*. In many ways, world-system theory is a more flexible version of dependency theory, and so these two approaches are very similar. They stand sharply opposed, however, to modernization theory, and in fact originally emerged as alternatives to that approach.

Modernization Theory

Modernization theory is a broad theoretical strategy that includes a variety of complementary, but also competing, theories. The diverse theories that coexist within the modernization approach are united by two fundamental assumptions. First, underdevelopment tends to be seen as an *original state*, as a condition of society that has always existed in some form or another. Modernization theorists tend to conceive underdevelopment as a social and economic process that long predates the emergence of modern capitalism. Indeed, they suggest that it was only with the rise of modern capitalist societies that underdevelopment was first overcome, despite the fact that many contemporary nations have not yet been able to reach this developmental stage. For the modernization theorists, then, such societies as the Yanomama, the Aztecs, and medieval England were or are underdeveloped in much the same way that contemporary Brazil, Thailand, and Nigeria are. This view is in sharp contrast to the point made earlier about development and underdevelopment being meaningful concepts only when they are applied to nations incorporated into a capitalist world-economy.

Second, modernization theory also assumes that underdevelopment results from the *internal deficiencies* of a society. This notion is the counterpart to the claim that development results from certain special qualities of those societies having achieved it, qualities that set them apart from the rest. Three broad kinds of internal deficiencies are proposed by modernization theorists as causes of underdevelopment. One of these is *insufficient capital formation*. Many economists argue that underdeveloped societies have been unable to generate an amount of capital sufficient to get them to a "takeoff point": a point at which they could begin rapid economic growth.

Other modernization theorists have mentioned *outdated business techniques and practices* as factors preventing economic development. They suggest that underdeveloped societies commonly do not have the modern rational techniques of marketing, accounting, finance, sales, and so on, that are so common in the developed

nations. The failure of such societies to adopt these modern rational business practices keeps their productivity and profit rates low and prevents significant development within them.

Finally, more sociologically oriented modernization theorists stress that underdeveloped societies generally lack the kind of *consciousness or mentality*—the kind of outlook on the world—that promotes development. Development is said to occur when people adopt rational, future-oriented value and ethical systems, and religions or philosophies that embody these kinds of values and ethics. It is alleged that most people in underdeveloped countries are governed by attitudes and values stressing the past and the importance of custom and tradition. Moreover, they are often caught up in religions that emphasize that human suffering can only be changed in the afterlife and that attempting to change the secular world is futile. Thus, people are rendered fatalistic and generally accept their situation in life and do not make rational efforts to change it. When people remain passive in regard to changing their situation, their underdeveloped state is perpetuated.

Perhaps the best-known of all modernization theories is that developed by economist W. W. Rostow (1960). According to Rostow, economic development involves the passage of a society through five evolutionary stages: the stage of traditional society, the stage of the preconditions for takeoff, the takeoff stage, the drive to maturity, and the age of high mass consumption.

All underdeveloped societies are in the stage that Rostow calls *traditional society*. This is a type of society that in Rostow's view has been little touched by modern capitalism and by modern science and technology. In this kind of society, people are attached to the land, their families, and the forces of custom and tradition. Societies begin the transition out of this stage of social and economic life when they acquire the *preconditions for takeoff*. The idea spreads that economic progress is both possible and desirable. Education broadens, banks and other capital-mobilizing institutions appear, as do modern manufacturing enterprises using the latest technology. The *takeoff* is achieved when a society has reached the point at which it can carry on sustained economic growth. The *drive to maturity* involves a long period of sustained economic progress during which a society attempts to apply its new technological capacity to a wider and more diverse range of economic activities. Finally, a society becomes ready to enter the *stage of high mass consumption*. At this point, the economy is capable of producing a wide range of consumer goods, and individuals are capable of consuming at a level that is beyond their basic needs for food, shelter, and clothing.

Although Rostow's analysis focuses more on development than on underdevelopment, there is clearly implied in his work a theoretical conception of underdevelopment. Underdeveloped societies are those that have not passed beyond the stage of traditional society. They have yet to experience those crucial stimuli that prompt people to want to reorganize their society so that self-sustaining economic growth can be realized. Underdeveloped societies lack the social patterns, political structures, and values that promote economic progress. Instead, the traditional features of these societies lead to a perpetuation of historically low levels of economic productivity.

Despite its considerable fame, Rostow's analysis of development and underdevelopment is not particularly impressive. The vast majority of his discussion is taken up with detailed descriptions of his stages, especially the last four. This sort of detailed description is of limited use. As Baran and Hobsbawm (1973) point out, once a takeoff stage has been posited, the stages that precede and follow it are logically implied by it. Thus, the identification of these stages reveals little that we do not already know. Moreover, simply "pigeonholing [an underdeveloped society] in one of Rostow's 'stages' does not bring us any closer to an understanding of the country's economic and social condition or give us a clue to the country's developmental possibilities and prospects" (Baran and Hobsbawm, 1973:51). In other words, it gives us no insight into what the actual causes of development and underdevelopment are.

One of the most recent formulations of modernization theory is that of David Landes, an eminent Harvard historian. In his book *The Wealth and Poverty of Nations* (1998), Landes emphasizes ideas as the critical factor in development, as well as forms of property and government. Development is largely a matter of knowledge and know-how, of having new, innovative ideas. Britain led the way in capitalist development because it had not only a systematic method for finding new knowledge but also secure private property, personal liberty, reliable contracts, and honest, ungreedy, and responsive government. China lagged because it lacked institutions for learning and finding new knowledge (despite its world leadership in technology centuries earlier). It remained, Landes says, mired in metaphysical skepticism and speculation. A key to Japan's success was a work ethic similar to Calvinism. South Korea and Taiwan have been successful because Japan was a good colonial master.

Landes's book is recent, but his ideas are very old and have been repeated many times. Although he is by no means totally off the mark, he seems to place far too much emphasis on science and knowledge and on other kinds of ideas. Moreover, he fails to ask why some societies have these things in the first place and others do not. The critical stance toward Rostow and Landes may be extended to modernization theory in general. By and large, it has failed to produce an acceptable interpretation of the conditions that stimulate development and of those that establish obstacles to it. One major failing of the modernization theorists lies in the concept of "traditional society." A major difficulty with this concept is its extremely general character. Traditional societies include not only ancient Rome, medieval Europe, and classical China, but also contemporary Kenya, Chile, and India. These societies differ dramatically in terms of a whole range of social, technological, economic, and political patterns, yet the concept of traditional society is used to cover them all. Can a concept that is applied so broadly, and that ignores crucial differences among societies, really be a useful one?

There is another crucial difference among the societies mentioned above: their relationship to world capitalism. Ancient Rome, medieval Europe, and classical China were all historic civilizations that existed before the development of European capitalism; but contemporary Kenya, Chile, and India are all nations that have been subjected, at one time or another and in one form or another, to European colonialism. This suggests another major weakness of modernization theory: its virtual neglect of the economic and political relations that have historically existed between

contemporary underdeveloped nations and the nations of the developed world (Frank, 1967). It is difficult to see how social scientists can justify paying little or no attention to these relations when formulating theories of underdevelopment.

As important as these weaknesses are, the real failing of modernization theory has been its inability to predict successfully the way development can be produced. Various modernization theorists have served as advisors to governments in developed nations and have made numerous recommendations regarding methods by which development in the Third World can be stimulated. In general, they recommend closer contact between the developed and the underdeveloped countries. Greater capital investment in the Third World, or large amounts of foreign aid to poor countries, are among the most frequent recommendations that have been made. Also, sociologically sensitive modernization theorists commonly recommend that underdeveloped countries should seek to imitate the social patterns of the advanced industrial nations. Yet, despite the implementation of these recommendations, in some cases on a grand scale, many of the underdeveloped nations have not been developing all that much, at least in relation to the developed capitalist countries. The economic gap between countries is actually larger today than it was a few decades ago (Firebaugh, 1999). Although many poor countries have been getting richer, most have not been getting rich fast enough to close the gap between rich and poor countries (i.e., the rich countries have been getting richer as well). Such facts scarcely speak well for modernization theory.

Despite the severe criticism that it has received, modernization theory has never died out. Not only does it survive but it probably is still the most widely embraced of the theoretical approaches to underdevelopment. For instance, it is precisely the type of thinking that informs the actions of those who set world development policy in important international organizations, such as the International Monetary Fund, the World Bank, and the World Trade Organization. Nevertheless, it must share theoretical attention with the approaches that came to challenge it in the 1960s, the first of which was dependency theory.

Dependency Theory

Dependency theory was first developed in Latin America and came to the attention of North American and European social scientists largely through the writings of the American-educated economist Andre Gunder Frank (1966, 1967, 1969, 1979). By the mid-1970s, this approach had become very popular, especially among sociologists. In many ways, dependency theory is a specialized offshoot of the Marxian theory of capitalism.

The basic underlying assumptions of the dependency approach stand in stark contrast to those of modernization theory. Rather than conceiving underdevelopment as an "original state," as something characteristic of a "traditional society," underdevelopment is viewed as something created within a precapitalist society that begins to experience certain forms of economic and political relations with one or more capitalist societies. Underdevelopment is not a product of certain internal defi-

ciencies, as modernization theory holds. It results not from the absence of something, but from the *presence* of something. Thus, dependency theory would not regard India in 1700 as an underdeveloped society. At that time it was an agrarian, precapitalist empire. But by 1850 it was well on the road to becoming underdeveloped due to its relationship to British capitalism.

The root cause of underdevelopment in the dependency perspective is **economic dependency**. Economic dependency exists when one society falls under the sway of some foreign society's economic system, and when the first society's economy is organized by persons in the foreign society so as to benefit primarily the foreign economy. Economic dependency implies that there are relations of economic domination and subordination between two or more societies.

The concept of dependency as an explanation for economic underdevelopment has been developed most prominently by Frank (1966, 1979) and Samir Amin (1974). For Frank, the concepts of development and underdevelopment have meaning only when applied to nations within the capitalist world-economy. Frank envisions this world-economy as being divided into two major components: *metropolis* and *satellite*. (These concepts are basically equivalent to Wallerstein's concepts of core and periphery.) The flow of economic surplus in the world-economy is from the satellite (or periphery) to the metropolis (or core), and the world-economy is organized to make this happen. The underdeveloped nations therefore have become and remain underdeveloped because they are economically dominated by developed capitalist nations that have continually been extracting wealth from them. Frank (1966) has called this process the *development of underdevelopment*. In this view, the development of the rich nations and the underdevelopment of the poor ones are but two sides of the same coin; underdevelopment of some nations has made development for others possible. The primary victims of this process are the vast majority of peasants and urban workers of the underdeveloped world itself. And who benefits from such a system? The members of developed nations do, since, it is claimed, their standard of living is raised substantially. But the greatest benefits go to capitalists in the metropolitan countries, as well as to the agricultural and industrial elites of the satellite countries. The latter have close economic and political ties to the metropolitan elite and play a crucial role in maintaining the situation of economic dependency.

Samir Amin's (1974) contributions to dependency theory center on his concepts of **articulated** and **disarticulated economies**. According to Amin, the developed nations have highly articulated economies, or ones whose multiple sectors closely interrelate such that development in any one sector stimulates development in the other sectors. Underdeveloped societies, by contrast, have disarticulated economies. These are economies whose various sectors do not closely interrelate. As a result, development in any one sector is commonly unable to stimulate development in the other sectors. Those sectors that are most developed in disarticulated economies involve the production of raw materials for export to the developed countries. What is the cause of economic disarticulation? According to Amin, it is foreign control of the economy. Capitalists in the developed world have important connections with those peripheral capitalists who control the production of raw materials.

What disarticulation really means, Amin argues, is that the kind of development characteristic of the advanced industrial societies cannot occur. When a society's economy becomes disarticulated due to foreign economic control, attention is directed to the development of those economic activities that benefit core capitalists. Those activities that would involve production for the overall benefit of the domestic economy are consequently neglected.

The concept of dependency can be understood more thoroughly by examining its various forms. Theotonio Dos Santos (1970) suggests three historical forms of dependency through which the now-underdeveloped nations have passed. The first of these he calls *colonial dependency*. Under this form of dependency, which began as early as the sixteenth century in some parts of the world, European capitalist powers colonized precapitalist regions and established a monopoly over land, mines, and labor. Surplus wealth was extracted from these regions by means of European control over trade relations. The economic character of these colonized regions was powerfully shaped by their subordination to European nations.

A second historical form of dependency identified by Dos Santos is *financial-industrial dependency*. This form of dependence began in the late nineteenth century. It was characterized by the expansion of European industrial capital (as opposed to the earlier merchant capital) into the backward regions of the world. This form of dependency was part and parcel of the monopoly phase of capitalist development. Financial-industrial dependency involved heavy investment of big capitalists in the world's backward regions mainly for the purpose of producing raw materials to be exported back to the core nations.

The most recent form of dependency is termed by Dos Santos the *new dependency*. This kind of dependency is a post-World War II phenomenon and involves the emergence of transnational corporations that engage in extensive economic investment in Third World countries.

In addition to this concern about the forms of dependency, there is the question of how economic dependency creates and sustains underdevelopment. Dependency theorists often disagree with respect to the particular mechanisms whereby this occurs. Several different mechanisms through which dependency induces underdevelopment have been proposed by various theoreticians, and more than one is sometimes proposed even by the same theorist. Four possible dependency mechanisms are most frequently suggested in the current dependency literature (Chase-Dunn, 1975; Delacroix and Ragin, 1981; Barrett and Whyte, 1982):

- *Exploitation through repatriation.* It is often suggested in dependency writings that foreign firms reinvest only a portion of their profits derived from Third World investments in the Third World itself. The bulk of these profits is shipped home (repatriated) for the benefit of the investing nation.
- *Elite complicity.* A common theme in dependency writings is the claim that the rich capitalists of Third World countries enter into various types of agreements with rich core capitalists to maintain the status quo of the underdeveloped country. This occurs because the elites of both countries benefit from the prevailing economic situation.

- *Structural distortion.* Some dependency theorists argue that economic dependency leads to a distortion of the economy in the underdeveloped nation. This distortion then creates severe barriers to economic development. This argument, for example, is the kind made by Amin when he speaks of the disarticulation of the economy that results from the dependence of Third World countries on the capitalist core.
- *Market vulnerability.* It is sometimes argued that the peripheral nations are especially harmed by world market conditions. World demand for the primary products of peripheral countries tends to decline over time, and this decline is aggravated by price fluctuations for primary products.

These four ways in which dependency can induce underdevelopment should not be thought of as mutually exclusive. It is entirely possible that underdevelopment could result from more than one mechanism operating at the same time, or even from the simultaneous operation of all of them.

In recent years, numerous sociologists and other social scientists have conducted empirical investigations designed to test the basic claims of dependency theory. These studies generally examine a large number of the world's nations and employ the most advanced and sophisticated statistical procedures. An early review of this work by Volker Bornschier, Christopher Chase-Dunn, and Richard Rubinson (1978) examined the results of 16 such studies (cf. Rubinson and Holtzman, 1981). Most of the studies reviewed by Bornschier and coauthors examine economic growth from about 1960 until the early 1970s. Initial examination of the studies indicated that some found that dependency promoted economic growth, whereas others found that dependency retarded economic growth. Bornschier and colleagues went on to scrutinize these studies to determine what would have produced such apparently contradictory findings. They showed that the findings of each study were closely linked to the way dependency was conceptualized and measured. By and large, the studies that showed that foreign investment promoted economic growth conceptualized and measured investment in terms of *recent flows of investment capital*. By contrast, those studies demonstrating that foreign investment retarded growth conceptualized and measured investment in terms of *long-term stocks of foreign investment*. The authors held this finding to be of great substantive significance. On the basis of it, they concluded that "the immediate effect of inflows of foreign capital and aid is to increase the rate of economic growth, while the long-run cumulative effects operate to reduce the rate of economic growth" (1978:667). Moreover, they went on to say (1978:667-668):

These results tend to confirm the hypothesis that current inflows of investment capital and aid cause short-term increases in growth due to the contribution to capital formation and demand as foreign corporations purchase land, labor, and materials and start production, while the long-run structural distortions of the national economy produced by foreign investment and the exporting of profits tend to produce negative effects over time. We conclude, then, that the effect of short-term flows of investment and aid has positive effects on growth, but that their cumulative

effect over time is negative. Many of the seemingly contradictory findings of these studies can be reconciled under this proposition.

In more recent work, Bornschier and Chase-Dunn (1985) have expanded this line of inquiry to include a greater number of studies (36 rather than 16), and have reached the same basic conclusions. Moreover, using a sample of 103 nations, they have gone on to conduct new original research on the developmental effects of short-term capital flows versus long-term stocks of capital. They regard this original research as eliminating some of the flaws of the earlier studies. Once again, the same basic conclusions are forthcoming, the most important of which is that long-term penetration by foreign capital hinders a country's chances of economic development.

Unfortunately, despite Bornschier and colleagues' seemingly elegant solution to confusion, things cannot be resolved quite so easily. Their conclusions have been challenged by Glenn Firebaugh (1992). Firebaugh's challenge is methodologically complex and subtle, but his main claim is that dependency researchers have misinterpreted the results of their studies. Although underdeveloped countries highly dependent on foreign investment may experience slower economic growth than countries that are less dependent, this does not necessarily mean that foreign investment dependence is the *cause* of slower growth.

Firebaugh's analysis suggests that the most important question to ask about investment dependence is, What would happen to underdeveloped societies if they did not receive foreign investment? Dependency theorists argue that foreign investment is associated with a range of conditions (e.g., Amin's disarticulation) that have the effect of crowding out or displacing domestic investment that would otherwise occur (Dixon and Boswell, 1996a, 1996b). Without foreign investment, dependency theorists assume that domestic investment will replace foreign investment and that underdeveloped countries will start down a path of self-sustaining articulated development. However, what if the alternative to foreign investment is no investment (or, more realistically, substantially less investment)? In that case, countries will grow slower without foreign investment than with it.

Foreign investment may not be as beneficial for economic growth as domestic investment, but Firebaugh's research indicates that it may be better than no investment at all. Interestingly, the resolution of this debate hinges on the answers to some of the questions posed by early dependency thinkers: Do transnational corporations destroy local business and industry? Do they absorb local entrepreneurial talent into pursuits that are not optimal for the economic development of their own countries? Do they foster consumption patterns that lower domestic savings rates?

In summary, to establish that foreign investment has a negative effect on economic growth in the Third World, dependency researchers will have to demonstrate more directly that investment dependence leads to the sort of erosion of domestic investment postulated by early dependency theorists. For underdeveloped countries, this debate suggests that, while there may be costs to foreign investment, there are benefits as well, and underdeveloped countries have to weigh each carefully.

World-System Theory

Despite its superiority to modernization theory, dependency theory has certain weaknesses that cannot be overlooked. By the late 1970s, these weaknesses had begun to be noticed even by many of this approach's most enthusiastic supporters, and today dependency theory is regarded as a flawed, if still highly useful, perspective. Of the objections that have been raised against it, the most important are essentially as follows (Roxborough, 1979; Hoogvelt, 1982; Leys, 1982; Blomstrom and Hettne, 1984):

- In spite of its severe criticism of modernization theory's failure to place contemporary underdeveloped societies in their historical context, in its own peculiar way dependency theory is also ahistorical. Although it gives great attention to the historical relationship of underdeveloped societies to the capitalist core, it tends to ignore the precapitalist history of these societies. This history is very important, however, in conditioning the way in which a particular precapitalist society will be incorporated into the capitalist system and the results of that incorporation (Chase-Dunn, 1989a; Lenski and Nolan, 1984).
- Dependency theory tends to overgeneralize about contemporary underdeveloped nations. It assumes that their dependent status renders them all essentially alike. Yet, there are important differences between these nations with respect to such things as class structure, political system, and geographical and population size, and these differences play a role in shaping a nation's current development level and future developmental prospects. Another way of putting this is to say that dependency theory concentrates too much attention on the external relations between an underdeveloped society and the capitalist core, and not enough attention on the underdeveloped society's internal characteristics.
- The poverty and misery of contemporary Third World countries cannot simply be blamed on the economic intrusion of the more advanced capitalist countries (Chirot, 1977, 1986). Most of the countries and regions that fell under the economic control of the more advanced countries already had extensive poverty before they came to be dominated by these countries. Although in some instances this poverty and misery may have become worse as a result of foreign influence, by and large that poverty and misery were already there from the beginning.
- Dependency theory usually asserts that the high levels of economic development found in the core have been made possible by their exploitation of the semiperiphery and periphery. But this is very unlikely. Core societies have developed largely because of their own internal economic organization, and the possession of semiperipheral or peripheral zones has probably contributed only modestly. In fact, the world's most developed society, the United States, never had any colonies at all.
- Dependency theory is too pessimistic in asserting that economic dependency makes economic development impossible. This is contradicted by the

experience of a number of countries in recent decades. For example, Brazil underwent substantial economic growth between the mid-1960s and the mid-1970s, and east Asian countries such as Taiwan, South Korea, Hong Kong, and Singapore have experienced dramatic growth since the 1950s.

- Dependency theory's main policy recommendation for the underdeveloped countries—breaking out of the capitalist system by socialist revolution—has failed badly. Just as modernization theory can be criticized for its failures in practice, dependency theory can as well. The vast majority of the Third World countries that have opted for socialism in recent decades have failed to generate any real developmental impetus; in fact, their record is inferior to that of numerous countries that have remained capitalist.

These criticisms have considerable force, but they apply more to some dependency theorists than to others. We need to distinguish two rather different strands of dependency theory (Bornschieer and Chase-Dunn, 1985), what might be called "hard" and "soft" dependency theories. The hard version of dependency theory is associated primarily with the works of Frank and Amin discussed earlier. It sees economic dependency as always generating the development of underdevelopment, and thus as rendering development impossible (or at least extremely difficult) so long as it continues. The soft version is associated mainly with Fernando Henrique Cardoso (1982; Cardoso and Faletto, 1979) and Peter Evans (1979; cf. Bornschieer and Chase-Dunn, 1985). It does not assume that dependency must always lead to the development of underdevelopment. Under some circumstances, there can occur what Cardoso has called "associated dependent development," or simply "dependent development." This is a type of economic growth that occurs primarily as the result of extensive investment in manufacturing industries by transnational corporations. Soft dependency theorists insist that in recent decades a new form of dependency has grown up alongside the old form. In the older, or "classical," dependency, core countries use peripheral countries as sources of investment in raw agricultural and mineral products. But in the newer dependency, investment occurs within the industrial sector. And this form of dependency, it is argued, is not incompatible with certain amounts of economic development.

It is obvious that the soft version of dependency theory is much more flexible than the hard version, and thus largely free from the criticisms cited earlier, especially the third. Dependency and development can coexist. To the extent that a dependency perspective is an appropriate guide for our thinking, it should clearly be the softer version. Indeed, it is noteworthy that one of the two major developers of the hard dependency theory, Andre Gunder Frank, has now abandoned his original hard position and moved toward a much more flexible one. He no longer thinks that dependency is a necessary obstacle to development, and he has also come to reject the notion that the adoption of a socialist alternative to capitalism can produce anything better.

It is but a short step from the softer dependency theory to a full-blown **world-system theory** of underdevelopment. Wallerstein has claimed that it is the capitalist world-system as a whole that develops, not particular societies. He acknowledges



*Immanuel Wallerstein, the founder of the world-system perspective on long-term social change. The first three volumes of his work *The Modern World-System*, along with other important works, have profoundly influenced the understanding of patterns of economic development and underdevelopment in recent centuries.*

that internal characteristics of societies matter, but they exert their effects only in the context of a society's position within the world-system at a particular time in history. As the world-system evolves, there is increasing polarization between core and periphery, and it is difficult for less-developed nations to improve their status, or at least improve it very much. However, at particular historical junctures opportunities are created for some countries to move up. Wallerstein (1979) proposes three basic strategies that nations can adopt to accomplish this: seizing the chance, development by invitation, and self-reliance.

During periods of contraction of the world-economy, core countries may be in a weakened economic position. If so, peripheral or semiperipheral countries may be able to use aggressive state action to improve their position. This is the strategy of *seizing the chance*. Wallerstein suggests that Russia adopted this strategy in the late nineteenth century, and that it was employed by Brazil and Mexico during the 1930s.

Development by invitation, by contrast, occurs during periods of expansion of the world-economy. During these periods, "space" or "room" is created for some countries to move up because there is an increased level of demand for commodities on a world scale. Underdeveloped countries with just the right internal characteristics (especially geopolitical circumstances) may be treated unusually favorably by core countries. As a result they may be able to use the resulting economic advantages to inaugurate a developmental surge. Wallerstein suggests that Scotland followed this developmental strategy in the late eighteenth century. Perhaps the best recent exemplars of the strategy are the East Asian countries of Taiwan and South Korea.

Some countries, though, may see their best chance for economic development resting on withdrawal from the world-system and adoption of some version of socialism. The most successful employment of this strategy—*self-reliance*—has been by Russia (the Soviet Union), beginning in 1917. The rapid industrialization of the Soviet Union, however, came at an enormous human cost.

Despite the differences between world-system theory and classical dependency theory, it is clear that the former is only a version of the latter. Wallerstein stresses what he calls "limited possibilities" for transformation of underdeveloped countries within the world-economy. Most countries don't move up, and those that do don't move very far. They move from the periphery into the semiperiphery, or from a lower to a higher semiperipheral position. Since most nations continue to stagnate rather than move up, and since there is increasing polarization within the system, Wallerstein is not optimistic about the fate of the underdeveloped countries within a capitalist context. For him, the only real solution to the problems of the underdeveloped world is a long-term one: the ultimate worldwide collapse of capitalism and its replacement by a socialist world-government.

Explaining Underdevelopment: Some Conclusions

World-system theory is an improvement on dependency theory, especially its harder version, but it is still not quite the theory we need. Like dependency theory, it tends to overstress external relations and underplay the internal characteristics of societies. It is also too negative about the possibilities of capitalist development in the less-developed world.

Our grand conclusion is thus that none of these theories works as well as we would like, especially for the current era in which we live. Dependency and world-system theories work fairly well in explaining patterns of world inequality and unequal development over the past several hundred years, but they work less well for the current era—the last 40 to 50 years. There has been and continues to be more development going on in the less-developed world than both dependency and world-system theory allow for. Glenn Firebaugh's (1992, 1996) research suggests that foreign investment since the 1960s stimulates more than inhibits development, and his research also suggests that polarization basically stopped in the early 1960s. Moreover, much of the periphery seems to be gradually disappearing, having moved up into the semiperiphery. Sub-Saharan Africa is the only major region of the world that is still peripheral. These findings call into question three of the most basic principles of world-system theory: (1) foreign investment leads to underdevelopment in most of the Third World, (2) polarization is an ongoing process within the system, and (3) the core needs a periphery in order to develop to high levels. And yet, modernization theory does not really work either. It is much too simplistic in assuming that all societies can develop equally by garnering enough foreign investment, building the right technology, and acquiring the right values and attitudes. Therefore, we still lack a solid unified theory of underdevelopment that applies to the current period as well as to the past. The construction of such a theory should be one of the major goals of development scholars in the years ahead.

Development in East Asia

Let us now turn away from theory to look at a number of actual regions and societies in the less-developed world. The greatest development is occurring in East Asia, and

this region of the world is likely the harbinger of the future of the less-developed world, so let us start with it.

The Biggest Success Stories: The East Asian Tigers

Since about the mid-1950s, a startling degree of economic development has occurred in the East Asian societies of Taiwan, South Korea, Hong Kong, and Singapore. Before 1950, these societies were very poor peripheral countries. According to the sorts of economic and social indicators that we have just reviewed, East Asia was roughly similar to present-day sub-Saharan Africa, the poorest region of the world. Today, it is among the most prosperous regions outside the capitalist core. South Korea and Taiwan have per capita GDPs in the \$16,000–18,000 range (see Table 9.1), and Hong Kong and Singapore's per capita GDPs are much higher (\$25,153 for Hong Kong and \$23,356 for Singapore). All of these societies have extremely low infant mortality rates for non-core nations, as well as rates of population growth more similar to core than to non-core societies. Moreover, at least in Taiwan and South Korea, this development has occurred without producing the extremely sharp income inequalities so characteristic of other rapidly growing less-developed countries. These countries today have income distributions that resemble those of core nations, or that are even more egalitarian.

Collectively, these four East Asian countries are frequently known as the "Asian Tigers." It has frequently been asserted that the economic development of these countries is a fatal blow to dependency theory (Barrett and Whyte, 1982; Berger, 1986). Certainly, if one is talking about the strong version of dependency theory, it is impossible to deny that assertion (Bienefeld, 1981). However, this East Asian development is not inconsistent with the soft dependency theory or with world-system theory. Indeed, it would seem that world-system theory is well suited to explain what has been happening in recent decades in East Asia. In order to show that this is so, we shall confine ourselves to Taiwan and South Korea. Hong Kong and Singapore are really city-states rather than countries, and they have only a tiny agricultural sector. Because of their unique nature, they are not particularly good test cases for any theory of underdevelopment.

Taiwan and South Korea seem to be exceptionally good examples of Wallerstein's strategy of development by invitation (Bienefeld, 1981; Cumings, 1984), and their accomplishments result from a unique combination of five circumstances. Some of these circumstances involve internal characteristics of the societies themselves, whereas others involve the larger world-economy (Cumings, 1984; Crane, 1982; Koo, 1987; Evans, 1987; Aseniero, 1994).

First, it is true that both Taiwan and South Korea have a history of economic dependency, but the dependency they experienced was unique. Around the turn of the twentieth century, Taiwan (then known as Formosa) and Korea (which, of course, had not yet been divided into South Korea and North Korea) became colonies of Japan. But Japan was no ordinary colonizer, for it engaged in practices not found among European colonizers. The Japanese built up in these colonies a large infrastructure of transportation and communication, and even established heavy industries, especially in steel, chemicals, and hydroelectric power. Thus, although

Taiwan and Korea became dependent, they nonetheless acquired certain technological and economic resources generally absent in other dependent countries. These resources helped establish a foundation for developmental efforts once Japanese colonialism ended.

Second, both Taiwan and South Korea undertook major land reforms after World War II. These reforms produced a much more egalitarian distribution of land. It is well known that land reform efforts have failed, or not even been attempted, in most other less-developed countries. In most of these countries land is enormously concentrated in the hands of a few rich landowners, and this uneven distribution is a major obstacle to development. But land reform in Taiwan and South Korea led to major increases in agricultural output, and industrialization efforts could therefore begin to succeed.

Third, the unique geopolitical situation that Taiwan and South Korea were in was critical to their developmental successes. During the 1950s, the United States became the world's leading economic power, and it perceived a severe threat to its economic position from the Soviet Union and China, the latter having just had a revolution (in 1949) and become part of the socialist world. There was great fear that both Taiwan and South Korea would become part of this world, and so the United States pumped huge amounts of money, in the form of both aid and loans, into both countries. Although the United States had given aid and loans to many other countries, the amounts going into Taiwan and South Korea were unparalleled. There is no doubt that this economic assistance played a crucial role in helping launch these countries' developmental efforts.

Fourth, all of this was happening during a period in which the world-economy was undergoing major expansion. Thus, the increase in world economic demand made "room" or "space" available for some countries to improve their position. Moreover, the United States directly encouraged the upward mobility of Taiwan and South Korea by opening its own domestic markets to the products of these countries. This occurred primarily after 1960. In the 1950s, the industrialization of Taiwan and South Korea was oriented mainly to producing for their domestic markets, but after 1960, it shifted toward an emphasis on selling competitively in the world market. This kind of industrialization, known generally as **export-oriented industrialization**, is a common developmental strategy of less-developed countries. Whether it works or not is another question. That it has worked so well for these two countries depended significantly on the protected markets that the United States carved out for them in its own territory.

Finally, the largest single investor and the largest director of economic growth in both countries was the state. This, too, was the legacy of Japanese colonialism. Both Taiwan and South Korea had structured their state apparatuses on the Japanese model and had developed the kind of highly efficient state that could, in the context of the other four conditions, lead them into significant economic development. Specifically, the state in these two countries played a major role in keeping the wages of workers down, which is essential for export-oriented industrialization because it makes products cheaper and thus more competitive on the world market. It also built up military-style discipline in the factories, thus contributing to high productivity.

Because of the success of Taiwan and South Korea, the question has naturally arisen as to whether they constitute models for economic development that other countries can imitate. Some social scientists who are especially enthusiastic about East Asian development believe that they do (cf. Berger, 1986). Yet, there are reasons to question the exportability of the East Asian model. As Bruce Cunnings argues, "The developmental 'successes' of Taiwan and Korea are historically and regionally specific, and therefore provide no readily adaptable models for other developing countries interested in emulation" (1984:38). Certainly, the Asian financial crisis of 1997–2000 has taken some of the glow off the East Asian model. The role of the state in guiding development and the relationship-based financial systems of these countries, once lauded by many analysts, are now often derided as "crony capitalism." On the other hand, the emergence of "new tigers" such as Thailand, Malaysia, and Indonesia lends some support to the optimists. As was the case with the original four tigers, these countries have experienced very rapid economic development in recent years. For instance, GDP per capita increased by more than 100 percent in all three countries over the period from 1975 to 1999. (For reference, GDP per capita in the United States grew by 48 percent over the same period.)

In summary, some extremely important things have happened in Taiwan, South Korea, Singapore, and Hong Kong since the end of the Second World War. These events are compatible with some of the claims of soft dependency and world-system theories of underdevelopment, especially world-system theory. However, some aspects of development in these countries make sense within a modernization framework as well. Therefore it would appear that no single perspective can explain their developmental dynamics over the past half-century.

The Rise of China

After the death of Mao Zedong in 1976, China spurned state socialism and embarked on a capitalist path of development, introducing market mechanisms and opening itself to foreign economic investment (Aseniero, 1996; So and Chiu, 1995; Weil, 1996; Castells, 1996, 1998). Major economic reforms began officially in 1978. Between 1980 and 1995, China was the fastest growing economy in the world, averaging approximately 10 percent growth per year in GDP. In 1995, China's GDP grew 10.2 percent, compared to only 2.0 percent for the industrialized countries and 2.6 percent for the world as a whole (Keister, 2000b). Since 1995, GDP growth has slowed slightly but is still extremely high: 8.8 percent in 1997, 8.0 percent in 2000, and 7.3 percent in 2001 (<http://www.worldbank.org>). Chinese development has concentrated on export-oriented industrialization, and exports have grown dramatically. They were 9.2 percent of GDP in 1990, 18.1 percent in 1992, and 23.0 percent in 1995 (Keister, 2000b). Foreign investment in China has also grown enormously. In 1990, China attracted about 2 billion U.S. dollars in foreign investment, but this increased markedly to about 20 billion in 1992, to over 30 billion in 1994, and to more than 40 billion in 1998 (*The Economist*, 2000). Since then, it has remained at about the same level. Throughout the 1990s, China was second only to the United States as a recipient of foreign investment (Weil, 1996). By far the biggest investor has been

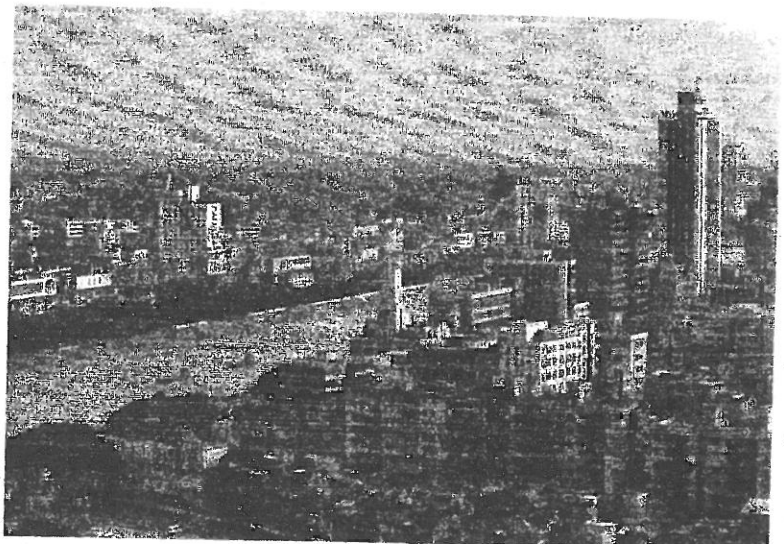
Hong Kong, which in the late 1990s was investing over 20 billion U.S. dollars a year. The other major investors are Japan, the United States, Singapore, South Korea, and Taiwan (*The Economist*, 2000).

Most of the economic development that has been occurring in China has been in Shanghai, Hainan Island, Guangdong, Fujian, Zhejiang, and other cities and provinces along China's southern and eastern coastline. There has emerged a whole megaregion adjoining Hong Kong and composed of Shenzhen, Canton, the Pearl River Delta, Macau, and Zhuhai, and it has become a huge metropolitan area (Castells, 1996). In 1995, it covered a space of more than 50,000 square kilometers and had a population in the range of 40 to 50 million people. In the words of Manuel Castells (1996:409), it "is likely to become the most representative urban face of the twenty-first century."

China's per capita GDP was only \$890 a year in 2001, but this figure is very misleading because the majority of Chinese are still peasant farmers and most remain untouched by the capitalist development that is occurring. China is a huge country with great regional variation, and most of the capitalist development, as already noted, is occurring along the southern and eastern coastlines. Here, per capita GDP is much higher than in the rest of China.

Since economic reforms began in China in 1978, an enormous amount of privatization of state-owned companies has occurred. In 1978, consumer goods produced by privately owned firms amounted to less than 1 percent of consumer goods produced by state-owned firms. This increased to 48 percent by 1990, to 89 percent by 1994, and to a full 179 percent by 1998. This means that by 1998, almost twice as many consumer goods were being produced by private firms as by state-owned firms (<http://sinowisdom.com>). China has also adopted the characteristic type of large business group found in other highly successful parts of Asia. We refer to the

*Skyline of
Guangzhou,
Guangdong
Province,
People's
Republic of
China.
Extraordinarily
rapid capitalist
development has
been occurring
in this and
adjacent regions
of China since
the 1980s.*



Japanese *keiretsu*, the South Korean *chaebol*, and the Taiwanese *guanxi qiye*. These are uniquely East Asian economic networks dominated by a large firm and consisting of many firms who coordinate their activities closely with each other. China began to form such business groups, known as *qiye jituan*, in the 1980s and they have become extremely numerous and greatly increased the efficiency and profitability of Chinese firms (Keister, 2000b).

Much closer economic ties began to develop in the 1990s between the "three Chinas": Mainland China, Taiwan, and Hong Kong. These ties were strengthened after July 1997 when the British returned Hong Kong to Mainland China. So and Chiu (1995) suggest that this increasing economic integration makes the three Chinas, as a single unit, a core nation in the world-economy that can draw on the assets of each of its parts: China's abundant and cheap labor and raw materials, Taiwan's capital and technology-intensive industries, and Hong Kong's worldwide financial and trading network. This is probably overstating the case, but the point is made nonetheless. In all likelihood, these three Chinas will eventually become politically unified, and it can be expected that this unified Chinese superstate will develop even more rapidly after this point and will probably become the dominant world economic power within 50 years.

Development in Latin America

Latin America is that region of the less-developed world that has the highest level of economic development. Mexico, Argentina, and Brazil have the highest per capita GDPs of Latin American countries; they also have relatively low percentages of the labor force working in agriculture (15, 1, and 23 percent, respectively).

Latin American incorporation into the world-economy has progressed through six major stages (Skidmore and Smith, 2001):

1. *Colonialism, early 1500s to 1830.* Latin America was incorporated into the world-economy as a peripheral region devoted to the production of raw agricultural and mineral products. Most of it was colonized by the Spaniards, but the Portuguese had a major colony in Brazil. The Portuguese imported slaves from West Africa and put them to work on sugar plantations and in gold and silver mines; nearly 40 percent of all of the Africans imported into the New World as slaves came to Brazil. Some of the sugar plantations were huge and were often referred to as "factories in the field." Some of these plantations contained as many as 500 slaves. The Spaniards in Latin America made limited use of slavery, relying instead on other methods of forced labor (Harris, 1964). They began with the *encomienda*, which gave some of the *conquistadores* the right to tax and collect tribute from the native Indian population, as well as the right to draft labor. The *encomienda* was later replaced by the *repartimiento*. This was a similar system of forced labor but the right to tax, collect tribute, and draft labor was given to officials of the Spanish Crown and their heirs rather than to private *encomenderos*. Both of these systems were replaced by the famous *hacienda* system,

which emerged after political independence in the nineteenth century. The *hacienda* was a system of debt peonage. Private landlords provided Indian peasants supplies of food and clothing, which threw them into debt, but their wages were set so low that the debt could never be repaid. Since the Indians had no choice but to continue working for their *hacendados* for life, the landlords were guaranteed a permanent supply of extremely cheap labor.

2. *Early postindependence, 1830–1880.* Political independence had essentially come to Latin America by 1830 with the granting of independence to Brazil. After this point, Latin American countries were gradually pulled increasingly into the world-economy as exporters of raw materials and importers of consumer goods. Britain was the hegemonic power in the world-system during this time, and as such had replaced Spain and Portugal as the European country most extensively involved in Latin America.
3. *Initiation and expansion of export-import growth, 1880–1930.* Near the end of the nineteenth century, economic activity expanded considerably in Latin America, and there was great prosperity for the upper classes. However, Latin American countries were still largely raw materials exporters and most of their consumer goods came from Europe. Another major feature of this period was extensive immigration from Europe.
4. *Import-substitution industrialization, 1930s–1960s.* After about 1930, Latin American countries made their first real move to industrialize and to develop more diversified economies less dependent on exports. Their aim was to produce their own consumer goods and stimulate internal economic growth. To do this, they adopted the strategy known as **import-substitution industrialization** (ISI). This strategy uses high tariffs to discourage imported goods and to raise their price in domestic markets. With imported goods kept to a minimum or too expensive, domestic industry can be developed to a much greater extent and can stimulate economic growth. Relatively speaking, ISI was a success, especially for some of the most important Latin American countries, but economic growth had stagnated by the 1960s. This is because the ISI strategy has certain inherent limitations. First, it must rely on the importation of capital goods, such as machine tools, because producing such goods domestically is very difficult in the early stages of industrialization. This helps to maintain the dependency of the local economy on the core. Second, there are natural limitations on local demand because of the limiting spending powers of not only the masses, but even the middle classes. Only so many refrigerators or cars, for example, can be sold in a highly underdeveloped country. Third, because ISI is capital-intensive rather than labor-intensive, it is very limited in its ability to create jobs for workers. As the ISI strategy in Latin America reached these limits, a new developmental strategy was put into place.
5. *Stagnation of ISI growth and a turn toward export-oriented industrialization, 1960s–1980s.* The new developmental strategy was export-oriented industrialization, or EOI, which we described earlier for South Korea and Taiwan. As stated then, EOI involves producing for the world market rather than domestic mar-

kets. Such a strategy depends on keeping wages low so that prices can be low and thus exported industrial goods can be competitive in the world market. To make this strategy work, what Guillermo O'Donnell (1973) has called *bureaucratic-authoritarian* states emerged throughout Latin America. These states—which emerged in Brazil in 1964, Argentina in 1966, and Chile in 1973—crushed the working classes in order to keep wages down. As part of the EOI strategy, Latin American countries, Brazil in particular, engaged in close relationships with core transnational corporations, especially American transnationals. Export-oriented industrialization produced a substantial amount of economic development in Latin America, but it was mostly dependent development.

6. *Crisis, debt, and democracy, 1980s–1990s*. By the mid-1980s, EOI had begun to peter out. Large foreign debts were accumulated because of the huge sums of money that were borrowed from world financial institutions to finance the export-oriented strategy. Between 1980 and 1990, foreign debt nearly doubled; much more had to be borrowed just to pay the interest on existing loans. Economic stagnation ensued, and GDP per capita declined by nearly 10 percent. Strict economic reform policies were imposed by the World Bank and International Monetary Fund, and as a result Latin America began to pull out of its economic doldrums to some extent. Skyrocketing inflation declined, investment from the capitalist core increased, and economic growth reached 3.5 percent per year by the mid-1990s. Developmental strategies were rethought along new lines. Politically, the bureaucratic-authoritarian states collapsed and a process of “redemocratization” began.

Brazil exemplifies very well all of these stages (Skidmore and Smith, 2001). During the colonial era, as already noted, Brazil used slave labor for the mines and sugar plantations. In the 1820s, sugar accounted for about 30 percent of Brazilian exports. After this time it began a long decline, accounting for only 5 percent of total exports by 1900. Sugar was replaced by coffee, and in 1900, Brazil was producing nearly 75 percent of the world's coffee. Coffee declined dramatically in the last century, accounting for only 18 percent of the world's coffee by 1978.

During the period of ISI, there was a large-scale expansion of Brazil's industrial sector. At this time, Brazil began to develop such heavy industries as steel and automobiles, and industrial production constituted nearly 30 percent of total GDP by 1975. However, there still remained a large rural proletariat eking out a bare living, especially in the coffee fields. After the ISI period was over, Brazil went through some 20 years of rule by several bureaucratic-authoritarian regimes, all of which were led by the military. During this EOI period, economic growth was phenomenal—approximately 10 percent a year between 1968 and 1974—and many economists referred to this as “the Brazilian miracle.” By the late 1970s, EOI-produced growth had substantially faded and serious economic problems developed. One was inflation, which exceeded 100 percent in 1980. There was also a huge foreign debt, which in 1986 was \$82.5 billion, the world's largest. Income inequality also increased

during the EOI period. The proportion of national income going to the top income decile was 39.6 percent in 1960 but had grown to 50.9 percent by 1980. Likewise, the proportion going to the bottom income half of the population declined from 17.4 percent in 1960 to 12.6 percent in 1980.

In 1993, none other than Fernando Henrique Cardoso, the father of the "soft" school of dependency theory, became finance minister, and then acceded to the presidency in 1995. By this time, Cardoso had toned down his leftist political views considerably, and began implementing more moderate economic policies. Inflation was brought under control and the economy stabilized. However, many social problems remained and economic crises eventually returned in the second half of the 1990s. Throughout the 1990s, Brazil, like all major Latin American countries, tried to restructure its relationship to the larger world-economy, with uncertain and inconsistent results. Some segments of Brazilian society became better off, but others became increasingly marginalized.

In an important recent study, James Mahoney (2003) shows that differential levels of social and economic development in Latin American countries have been closely related to the degree of Spanish colonial penetration a country experienced in earlier times. The most socially and economically developed countries in Latin America over the past century, such as Argentina, Costa Rica, and Uruguay, have tended to be those that experienced little colonial penetration. By contrast, the least socially and economically developed countries of the twentieth century, such as Bolivia, Honduras, and Nicaragua, have generally been those where the greatest degree of colonial activity was present. As Mahoney points out, these results confirm the dependency hypothesis of Andre Gunder Frank (1978, 1979) that the regions of the Americas that became most developed were the ones subject to "benign neglect." In this sense, dependency theory applies well to the history of Latin America. However, as pointed out earlier in this chapter, because many Latin American countries have undergone a surprising amount of economic and social development in recent decades, dependency theory applies less well to its current and possible future state.

Why is Latin America as a whole the most developed region of the Third World? It may be due to the fact that Latin America was the region first colonized by Europe and the first region to gain political independence (Sanderson, 1995, 1999b). Most Latin American countries became independent in the early nineteenth century, whereas independence was not gained throughout Asia and Africa until the middle of the twentieth century—a century to a century and a half later. Latin America has therefore had a longer period of time in which to develop, and this may have made the difference. Mahoney (2003) shows, for example, that a necessary condition for social and economic development in Latin America has been the presence of an indigenous capitalist class. Other things being equal, Spanish Latin American countries that had large and vigorous capitalist classes (e.g., Mexico, Venezuela, and Argentina) developed earlier and farther than countries that had small and anemic ones (e.g., Bolivia, Peru, and Paraguay). Since the most successful Latin American countries had these classes earlier and longer than Asian and African countries, it stands to reason that the Latin American countries would have become more developed than their counterparts in the other two continents.

Sub-Saharan Africa: A Failure of Development

Before 1500, Africa was a vast continent consisting of many different societies at different levels of social evolution: hunter-gatherers, simple and intensive horticulturalists, and pastoralists in east and north Africa. Some of these societies had reached the level of civilization and the state, but, except for Egypt, they arrived at this point later and had less-developed and less-complex civilizations than found in other parts of the world. There was for many centuries a vigorous trade between parts of north Africa and parts of sub-Saharan Africa. Many sub-Saharan African societies had slave systems long before the Europeans arrived to carry off Africans for their own form of slavery.

North Africa and sub-Saharan Africa are really quite different. North Africans are predominantly Arabs and adherents of Islam, and pastoralism was the predominant mode of production prior to European penetration (and still is in some places). North Africa, although geographically African, really belongs to the cultural region of the Middle East. Most sub-Saharan Africans have been hunter-gatherers and horticulturalists and have had their own indigenous and quite varied religious and cultural traditions. This discussion focuses entirely on sub-Saharan Africa.

Samir Amin (1972) has distinguished five stages in the incorporation of Africa into the capitalist world-system:

1. *The New World-African Slave Trade, 1500-1860.* Some 40 million Africans were put on slave ships destined for the New World and the slave systems of the United States, the Caribbean, and Brazil. Only about 10 million of these actually arrived, most having perished in the horrendous conditions aboard the ships, especially during the famed "Middle Passage." Why was it Africans, especially west Africans, who provided the labor force for the New World plantations? Wallerstein (1979) says that the slaves had to be drawn from a region outside the world-economy whose workers were not being used in that region for peripheral forms of production. Since slaveowners were rational capitalists, cost considerations were paramount. Africa seemed to fill the bill best because its populations had not been peripheralized, and because Africa was geographically close to the New World. Presumably Asians—Indians and Chinese mainly—could have been enslaved, but the costs of transporting them the much greater distances from Asia to the New World would have been much higher. Some scholars have suggested that Africans were enslaved because of European racism; Africans were thought to make the best slaves because they were allegedly lower in intelligence and physically stronger. Racism might have played some role, but it is doubtful that it was more than a minor one.
2. *Gradual abandonment of the slave trade and the emergence of Africa as a peripheral region, 1800-1880.* Britain abolished its role in the slave trade in 1807, but there was a great deal of slave trading that occurred after that time nevertheless. During this time, Africa was slowly but surely being converted into a region designed for the production of agricultural goods for export.

3. *Colonization and full peripheralization, 1880–1960.* Around 1880, the famous “scramble for Africa” among the European powers began. This was the only major world region that had so far not been colonized. Britain and France were the main colonizers, but Belgium, Portugal, and even a few other European countries were involved as well.
4. *Decolonization and attempts at ISI development, 1950s–1975.* The first African society to be decolonized was Ghana in 1957, and the last was Mozambique in 1974. Therefore all of African decolonization took place within a period of 17 years.
5. *Stagnation and crisis, 1975–present.* Despite the efforts at import-substitution industrialization, little headway was made. Rather than developing, most sub-Saharan African societies declined economically, and began to experience other serious problems as well, such as severe ethnic hostilities and the emergence of brutally repressive states.

Sub-Saharan Africa's economies have deteriorated alarmingly since decolonization. Its proportion of the world's export products declined from more than 3 percent in 1950 to only 1 percent in 1990, and its external debt rose from just over 30 percent of GNP in 1980 to nearly 80 percent in 1994. The World Bank reports that, of the \$231 billion in foreign investment that went into the Third World in 1995, only 1 percent went to Africa. In 1991, there was only one telephone line for every 100 people in comparison to 2.3 lines for the Third World as a whole and 37.2 for the industrial countries. By the early to mid-1990s, real income had declined by almost 15 percent from its level in 1965. Food production has declined markedly, to the point where many African countries cannot feed themselves. Taxes are high, inflation is rampant, and currencies are unstable. Technological infrastructure has decayed everywhere: Roads have become paths and ruts, bridges are collapsing and do not get repaired, railways are in a state of decay, phones do not work, and universities have deteriorated. Hospitals are in such a poor state that patients often need to bring their own blankets and bandages (Castells, 1998; Ayittey, 1998).

In the last 20 years, the continent has experienced severe ethnic hostilities, civil wars, political chaos, and massive government corruption (Castells, 1998; Ayittey, 1998). Ethnic groups engage in genocidal actions against each other, and governments often conspire in this. For example, in 1994, ethnic conflict in Burundi and Rwanda between Tutsis and Hutus resulted in some 700,000 Tutsis being killed, and hundreds of thousands of Hutus were slain as well. This genocidal civil war led to over a million Hutu refugees fleeing into neighboring Zaire. Many countries seem to have almost completely disintegrated. As Ayittey (1998:54) comments, “For much of 1992 Somalia lay in ruins—effectively destroyed. It had no government, no police force, no basic essential services. Armed thugs and bandits roamed the country, pillaging and plundering, and murderous warlords battled savagely for control of Mogadishu.”

Dependency and world-system theories blame exploitation by the core for Africa's current problems. In the words of Andre Gunder Frank, “the lemon was

squeezed dry and then discarded." But this is very dubious. George Ayittey (1998) places most of the blame on sub-Saharan Africa's internal problems, as does Manuel Castells (1998). Both trace Africa's massive problems to what they call the "predatory" or "vampire" state characteristic of so many African societies. Dishonesty, thievery, embezzlement, and the like are everywhere. African political leaders can be compared to gangsters and crooks who have seized political power merely to advance their own interests. In fact, states as they are usually thought of really do not exist in Africa. The political institutions that are crucial parts of states—for example, the military, police forces, the civil service, parliaments, and judiciaries—have suffered a kind of debauchery. Parliaments either do not exist or are little but charades. Political dictators have staffed each of these institutions with their own tribesmen who will be completely at their beck and call. There is little or no professionalism and accountability in any of these institutions. However, Ayittey argues that, although Africa's problems are mostly of internal origin, the West has magnified them. Western leaders, he says, have been seduced by despots. They have often supported procapitalist African dictators and supplied them with economic and military aid. Ayittey also notes that American blacks have often praised African leaders and failed to realize the horrendous actions these leaders were engaged in.

If the predatory state is the principal source of Africa's horrendous economic and social problems, then the obvious solution would be to destroy this type of state and replace it with a more democratic type. But that is much more easily said than done. As Ayittey points out, the commitment to reform has been weak in African countries. African despots have been extremely reluctant to give up power and would rather destroy their economies instead. And it is likely that the African state is not the real source of the problem, but simply another dimension of the problem. The real question is, Why do sub-Saharan African societies have such states in the first place? This is what must be explained.

World-System Position and the Form of the State

So far we have focused on the economics of less-developed countries and said little or nothing about their politics. What is the nature of political life in the Third World? Or, putting it somewhat more precisely, How does a nation-state's political structure relate to its position within the capitalist world-system? Table 9.4 shows democratization levels and the extent of political rights for core, semiperipheral, and peripheral societies. It is obvious that core societies have by far the highest levels of democratization and respect for political rights. As discussed in Chapter 7, in this zone highly stable democratic governments are the norm. It was in the core, of course, that parliamentary democracy first arose, and today every core state is democratic. We have already seen why this is the case. Democracy was favored in core societies because these societies had the largest and most literate working classes, and the struggles of the working classes in the nineteenth and twentieth centuries for political inclusion were vital to the development of full substantive

TABLE 9.4 Democracy and Political Rights in Core, Semiperipheral, and Peripheral Societies

Society	Democracy Score 2000	Political Rights Score 2003
Core Societies		
Australia	35.3	7
Belgium	42.7	7
Canada	24.2	7
Denmark	41.2	7
France	35.5	7
Germany	35.5	7
Italy	45.6	7
Japan	24.9	7
Netherlands	38.4	7
Sweden	37.7	7
Switzerland	40.0	7
United Kingdom	30.2	7
United States	34.5	7
Semiperipheral Societies		
Algeria	15.6	2
Brazil	27.4	6
Costa Rica	22.0	7
Ecuador	14.2	5
Egypt	3.0	2
Greece	35.9	7
Indonesia	13.4	5
Iran	5.2	2
South Korea	29.1	6
Mexico	20.8	6
Oman	0.0	2
Peru	8.4	6
Saudia Arabia	0.0	1
Singapore	8.5	3
Trinidad and Tobago	18.9	5
Turkey	33.1	5
Venezuela	16.5	5
Peripheral Societies		
Afghanistan	0.0	2
Angola	0.0	2
Bangladesh	17.3	4
Benin	12.8	5
Bolivia	20.7	6
Burma/Myanmar	0.0	1
Congo	0.0	2
El Salvador	9.7	6
Ghana	16.6	6
Guatemala	5.5	4

TABLE 9.4 (Continued)

Society	Democracy Score 2000	Political Rights Score 2003
<i>Peripheral Societies (continued)</i>		
Haiti	2.9	2
Honduras	15.2	5
Kampuchea/Cambodia	5.5	2
Kenya	8.4	4
Laos	0.4	1
Malawi	22.2	4
Nigeria	9.7	4
Rwanda	0.0	1
Sudan	1.5	1
Uganda	9.1	2

Notes: Democracy scores are calculated as the rate of voter participation multiplied by the extent of political party competition, which is then divided by 100. A political rights score of 7 indicates the greatest recognition of political rights, a score of 1 the least recognition (these scores have been reversed from the original coding).

Sources: Vanhanen (2003); Freedom House Survey Team (2003).

democracy (Rueschemeyer, Stephens, and Stephens, 1992). By and large, the tradition of democratic government has become so strongly entrenched in the advanced capitalist societies that it has come to constitute an independent force in its own right. Democratic philosophies pervade the whole fabric of life in these societies.

In the capitalist periphery, democracy and respect for political freedom has been very much the exception, and those peripheral societies that do have some type of democracy usually have a fairly low level of it. Political regimes based on military dictatorship are widespread throughout the peripheral capitalist world. In peripheral societies the industrial working class is usually small and politically weak and literacy rates are often low. The predominant ruling class consists of landlords incorporating a large and often illiterate peasantry into the process of labor-repressive agriculture. As Rueschemeyer, Stephens, and Stephens (1992) point out, democracy is not possible in societies with such a balance of class forces. In addition, extreme forms of authoritarianism may be necessary to maintain sheer order under conditions of severe exploitation and abject human misery and suffering. Under such conditions democracy is, in a way, a "luxury" that peripheral societies (or, more accurately, their ruling elites) cannot "afford."

In semiperipheral societies, the levels of democratization and the extent of political rights are intermediate between those in core and peripheral societies. As in the case of the periphery, many societies have formal rather than true substantive democracies. Moreover, these societies have often been vulnerable to political crises in which formal democracy has collapsed back into authoritarianism. Latin America is a region of the world that can be strongly characterized in these ways. The relative

TABLE 9.5 Democracy and Political Rights in Newly Democratizing Less-Developed Countries, 1977-2003

Country	Democracy Score			Political Rights Score		
	1980	1993	2000	1977	1988	2003
Latin America						
Argentina	0.0	27.0	26.1	2	6	5
Bolivia	0.0	10.5	20.7	2	6	6
Brazil	3.8	20.5	27.4	4	6	6
Chile	0.0	20.2	23.1	1	3	6
Ecuador	6.0	21.1	14.2	2	6	5
El Salvador	0.0	10.2	9.7	4	5	6
Honduras	0.0	14.1	15.2	2	6	5
Mexico	1.7	10.6	20.8	4	5	5
Nicaragua	0.0	16.6	18.5	3	3	5
Panama	0.0	21.6	25.3	2	2	7
Suriname	0.0	6.5	22.1	2	5	7
Uruguay	0.0	39.7	31.9	2	6	7
Asia						
Bangladesh	5.4	13.7	17.3	2	4	4
Cambodia	0.0	5.9	5.5	1	1	2
Indonesia	1.1	4.0	13.4	3	3	5
South Korea	1.7	30.0	29.1	3	6	6
Lebanon	9.5	11.7	25.9	4	2	2
Philippines	0.0	23.4	21.5	3	6	6
Sri Lanka	5.3	15.7	20.2	6	5	5
Taiwan	—	4.6	29.4	—	—	—
Turkey	0.0	12.2	33.1	6	6	5
Africa						
Cape Verde	2.4	8.4	12.1	2	3	7
Central African Rep.	0.0	12.2	11.3	1	2	3
Chad	0.0	0.0	9.2	1	2	2
Ivory Coast	0.0	2.3	7.6	2	2	2
Guinea-Bissau	0.0	0.0	10.0	2	2	4
Kenya	0.0	11.5	8.4	3	2	4
Liberia	0.0	0.0	5.3	2	3	2
Madagascar	2.3	11.0	9.9	3	3	5
Mozambique	0.0	0.0	10.5	1	2	5
South Africa	1.3	3.1	12.4	3	3	7
Togo	0.0	0.6	7.6	1	2	2

Note: Democracy scores are calculated as the rate of voter participation multiplied by the extent of political party competition, which is then divided by 100. A political rights score of 7 indicates the greatest recognition of political rights, a score of 1 the least recognition (these scores have been reversed from the original coding).

Sources: Vanhanen (2003); Gastil (1989); Freedom House Survey Team (2003).

absence of substantive democracy in semiperipheral societies can be explained in much the same way that we explained democracy's relative absence in the periphery: Landlords continue to play a strong role in the economy, the working class remains small and politically anemic, levels of literacy are often low, and there is often much discontent stemming from very high levels of human misery. Because of the political weakness of the industrial working class, the limited democratic inroads that have been made have generally required a political coalition between the working class and the middle class (Rueschemeyer, Stephens, and Stephens, 1992).

However, since the early 1980s there has been a fairly dramatic wave of democratization occurring in parts of the periphery and semiperiphery, especially in Latin America (Green, 1999; Doorenspleet, 2000; Schaeffer, 1997). Table 9.5 presents democratization scores for 32 "new democracies." Does this latest wave of democratization signal a resumption of the long-term evolutionary trend toward greater democratization? Perhaps, but caution must still be exercised.

Throughout the twentieth century, politics in many Latin American countries showed something of a cyclical alternation between more and less repressive regimes (Skidmore and Smith, 2001; E. Stephens, 1989). Given this pattern, the prediction of a long-term directional trend toward democracy may be premature. We will have to wait and see if the new democracies can sustain themselves and avoid collapsing back into some kind of authoritarianism. Undoubtedly, some of them will collapse, but it is also likely that others will sustain democracy and perhaps even move toward real substantive democracy. The same prediction seems reasonable with respect to new Asian democracies. In the case of Africa, prospects are probably not as good. As we saw, many of the societies of this region are governed by extremely repressive and brutal states, and most democracy is a sham (Ayittey, 1998). African societies still are overwhelmingly dominated by agriculture and have very little industrialization and very small working classes. Literacy rates are generally quite low. Thus, the conditions for continued democratization, even of the purely formal sort, are much less favorable in Africa than they are in Latin America and Asia.

FOR FURTHER READING

Each year the World Bank publishes the *World Development Report*, which contains extensive data on development indicators in all of the world's countries. A similar document is the United Nations's *Human Development Report*, also published every year. Good introductions to the whole problem of underdevelopment are Bradshaw and Wallace (1996) and McMichael (2004).

Rostow's *The Stages of Economic Growth: A Non-Communist Manifesto* (1960) is the classic statement of modernization theory. More recent statements are found in Berger (1986), Apter (1987), and Landes (1998). The classic formulations of dependency theory are Frank (1966, 1979) and Amin (1974). See also the edited collection of commentaries on Frank's work by Chew and Denmark (1996). The more recent softer version of dependency theory can be found in Evans (1979) and Cardoso and Faletto (1979). See also Cardoso (2001). The classic

world-system statement on underdevelopment is Wallerstein (1974b); see also Bornschier and Chase-Dunn (1985). Bill Warren (1980) returns to the classical Marxian view that colonialist and imperialist domination of the less-developed world will eventually produce development there. An article by Firebaugh (1992) poses a severe methodological challenge to dependency and world-system theory; see also the replies to this article by Dixon and Boswell (1996a, 1996b). Good overviews of the major theories of underdevelopment are found in Roxborough (1979), Hoogvelt (1982), Larrain (1989), and So (1990).

Skidmore and Smith's *Modern Latin America* (2001) is an extremely good historical analysis of Latin America's involvement in the world capitalist system and its current status. Peter Evans's *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil* (1979), written from the point of view of soft dependency theory, is a classic. See also Evans (1987), Gereffi and Wyman (1990), and Haggard (1990). On east Asia, see So and Chiu (1995), Weil (1996), Cumings (1984), Koo (1987), Gereffi and Wyman (1990), Haggard (1990), Aseniero (1994, 1996), Hornik (1994), Keister (2000b), Arrighi, Hamashita, and Selden (2003), and Ciccantell and Bunker (2003). The website <http://sinowisdom.com> provides up-to-date information on economic activity in China.

George Ayittey's *Africa in Chaos* (1998) is a very detailed analysis of the massive economic and political problems in contemporary Africa and an attempt to explain them. Castells (1996, 1998) provides insightful analyses of all three major regions of the less-developed world and their relationship to global capitalism in the current era.

An important recent work on democratization in the Third World is Schaeffer's *Power to the People: Democratization Around the World* (1997). See also Kurzman (1998), Green (1999), Markoff (1996), and Doorenspleet (2000). Robinson's *Promoting Polyarchy: Globalization, U.S. Intervention, and Hegemony* (1996) is a pessimistic analysis of the prospects for genuine democratization in the Third World.