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The Political Economy Literature on North-South Relations

Alternative Approaches and Empirical Evidence

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In the past ten years, the field of international political economy has experienced a rapid and controversial growth in interest among social scientists and statesmen. Much of this increase in interest can be attributed to the emergence of dependency theory to challenge traditional American paradigms in international and development studies. Thus, it appears to be an opportune time for interested scholars to embark upon a comprehensive and systematic evaluation of the field. To that end, this essay represents an effort to compare and evaluate four major approaches to the study of international political economy in general, as well as the issue of inequality between and within nations in particular. The formal comparative research, which speaks to the issues raised in the theoretical discussion, is also reviewed.

A major issue confronting students of contemporary international relations is the dilemma of increasing global interdependence alongside increasing inequality between and within nations. This issue has been brought to the fore both by the demands and actions of the Third World countries and by the rediscovery of imperialism, by some social scientists, in the form of dependency theory. With the controversy engendered by the emergence of dependency theory, it has become imperative that social scientists embark upon a comprehensive review and

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systematic analysis of international political economy in general, and the issue of equity in particular.[1] This essay represents an initial effort in that direction by attempting to identify and compare the major alternative approaches to the study of the global political economy. First, the major approaches will be covered, in terms of both theory and policy, with respect to their analyses of inequality between and within states. Second, the formal comparative research which speaks to the various hypotheses raised in the theoretical discussion will be reviewed.

Several efforts have already been made to classify and evaluate competing theories of international political economy. Blake and Walters (1976) and Spero (1977) have produced introductory texts dealing primarily with liberal and Marxist theory. Other examples include Packenham's (1973) critique of liberalism with regard to American foreign aid and social science. Closer to the concerns of this article, Gilpin (1975), in his study of the multinational corporation in the context of American foreign policy, has distinguished among liberalism, neomercantilism (or economic nationalism, as it will be referred to herein), and Marxism, In addition to the three approaches covered by Gilpin, a fourth will be added under the label of internationalism. An effort will also be made to draw finer distinctions than those usually attempted within the various formulations of Marxist and dependency theory.

So as to organize subsequent discussion, an overview of the four approaches is given before proceeding to an examination of each separately. This overview is summarized in Table 1, which categorizes the four major approaches with regard to the issue of inequality between and within nations. Also, each approach is presented in terms of its basic assumption and corollary policy prescriptions. By focusing the four approaches on the issue of inequality and evaluating them in light of the recent quantitative research, it is hoped that a helpful perspective will have been lent to the rapidly expanding field of international political economy.

1. Although there are certainly other issues which deserve and have been given attention, inequality has been the traditional "puzzle" of political economy since its classical development (Polanyi, 1957; Heilbroner, 1972).

TABLE 1

Four Approaches to the Analysis of Inequality Between and Within Nations

	Key Assumptions	*Prescription*	
		Between Nations	*Within Nations*
Liberalism	The give-and take of the market provides maximum growth and a tendency toward an equalization of incomes.	Nations should avoid market interventions since such actions will only make matters worse.	Resolution of domestic disparities in poor nations must be postponed until the generation of greater aggregate wealth.
Economic Nationalism	A liberal capitalist world-economy acts to preserve or increase existing inequalities.	Poor nations should intervene in markets in order to protect the domestic economy from foreign domination.	Measures to promote social equality should be taken simultaneously with economic growth and development.
Internationalism	Same as that of economic nationalism.	Effective international organizations are needed to act on the behalf of Third World countries.	Same as that of economic nationalism with added emphasis on national planning.
Marxist and Dependency Theory	A capitalist world economy (liberal or otherwise) will continue to breed inequality.	Third World countries must withdraw from the global capitalist system if they are to achieve genuine national development.	Revolution and socialism only feasible path to achieving social equity.

In American academia, liberalism, derived from the British school of classical political economy, remains the leading approach to the study of international political economy. Because of the central importance given to the unfettered market, liberalism has seen its fullest modern development in economics, as reflected in the work by Johnson (1967), Ellsworth (1969), Meier (1970), and Bergsten (1975). However, because of the recent series of crises afflicting the liberal world order in general, and the decline of American hegemony within that system in particular, the maintenance of the present system is rapidly attracting the attention of political scientists, such as Cooper (1972), Holsti (1975), and Keohane and Nye (1977).

Liberalism can be readily distinguished from the other three approaches in that domestic inequality is usually assumed to be independent of both economic growth and inequality between countries. That is, the proponents of liberalism argue that, under conditions of underdevelopment, the alleviation of domestic disparities must be postponed until there has been an accumulation of greater aggregate wealth. The other three approaches hold the position that the promotion of social equality is a prerequisite for or at least must be simultanenous with economic growth and development. In addition, internationalism and Marxist theories are premised on the view that domestic inequality is a function of inequalities generated by the international capitalist system.

As will be shown below, the "widening gap" between the rich and the poor countries in the period following World War II is an anomaly for liberal theory, since it presumes that the market provides the most mutually advantageous guide for the conduct of international economic transactions.[2] According to the advocates of liberalism, inequalities among nations would only be exacerbated by market interventions. In spite of their other differences, both the economic nationalist and internationalist approaches identify the global system of liberal capitalism as the

2. Prior to World War II, and believing that the terms of trade for the Third World would increasingly turn in their favor, liberal economists had confidently predicted a reduction in the gap between the rich and poor countries (Clark, 1942). Of course, the actual trend has been just the opposite.

source of the widening gap. Where these two latter positions differ is that whereas the economic nationalist calls for market intervention by national governments, the internationalist would prefer international organizations. On the other hand, Marxist and dependency theorists contend that international capitalism will continue to breed inequalities regardless of market regulation or interventions.

Since its earliest major formulation by List (1966, originally 1885), economic nationalism has been the major nemesis of liberalism in both the theory and practice of international economic relations. Economic nationalists believe that a nation's economic development is too important to be left to the whims of the marketplace, but rather depends on vigorous intervention by government. This general view holds, in particular, that domestic disparities must not be allowed to grow to such an extent as to threaten the preservation of national order. As for external relations, the theory and practice of economic nationalism is based on the contention that a liberal world order is inimical to the interests of less developed countries.[3] This latter point accounts for the revival of economic nationalism among the Third World countries in the period immediately following World War II. A contemporary representation of economic nationalism is given by Calleo and Rowland (1973) in their critique of U.S. efforts to preserve the existing liberal world order.

Also derived from a critique of liberalism, but with radically different implications from that of economic nationalism, is the third approach of internationalism, best exemplified in the work of Myrdal (1957, 1970) and Prebisch (1964). Internationalism is based on the application of welfare economics, which has previously been limited to the domestic sphere in the advanced countries, to the international system. That is, advocates of this approach seek to correct the advantages accruing to the developed states in the world economy by establishing strong international institutional frameworks to act as countervailing forces

3. Thus, those which have promoted a liberal world economy have been dominant states, such as Britain in the nineteenth century, and the United States in the twentieth century.

on behalf of Third World countries. On the other hand, internationalism does share with our two previous approaches a presupposition to preserve the global capitalist system. Our final approach, incorporating various formulations of Marxist and dependency theory, calls for the diminution of center-periphery relations with genuine local control over the development process in the periphery. Thus, for this last approach, global capitalism is incompatible with Third World development.

Although there has been a tendency among commentators to treat Marxist and dependency theories as homogeneous, this practice will not be followed herein. Special consideration is given to this latter category because the recent formal comparative research, to be reviewed below, has been conducted primarily in an effort to test "dependency" theory.[4] In fact, there are at least four major formulations contained within the Marxist and dependency category. First, there is the classical version of Marxism-Leninism (Lenin, 1939), which will be compared to contemporary dependency theory. The transition from classical to modern Marxist theory will be noted through Baran's (1957) analysis of underdevelopment. The second and most influential formulation is that of the Latin American *dependencia* theorists (Frank, 1969; Dos Santos, 1970, 1976; Furtado, 1973a; Cardoso, 1973). The third formulation is the non-Marxist "structural" theory of imperialism given by Galtung (1971). Our final and fourth version is the Marxist "world-system" theory of capitalism developed by Emmanuel (1972), Amin (1974), and Wallerstein (1974a, 1974b).

Liberalism

In its original formulation, the liberal world view stressed the notions of laissez-faire capitalism, the rights of property, limited

4. As will become evident, the now common use of the term "dependency" has engendered a considerable amount of confusion in the literature. For studies that attempt to clarify the meaning and implications of this concept see Lall (1975), Duvall (1977), and Caporaso (1977).

government, and Social Darwinism. Assuming perfect competition, the market would produce maximum economic growth, development, and general welfare. The only unresolved problem was the scandalous degree of poverty that existed in the midst of the Industrial Revolution. Unable to resolve the anomaly of growth and poverty, the optimism of Adam Smith succumbed to the pessimism of Ricardo and Malthus. Except in what Heilbroner (1972) calls the "underworld of economics," the prevailing academic response to poverty became one of resignation. In the arena of public policy, the response ranged from philanthropy at best to an arrogant disavowal of responsibility at worst (Polanyi, 1957).

Temporary optimism for the future of capitalism was restored by Mill (1965), who pointed out that distribution of the economic product was subject to institutional forces rather than the market. Furthermore, the Trade Union movement suggested that the working class could achieve a decent standard of living without overthrowing the capitalist system. However, no sooner had Mill saved capitalism than Marx (1906) pronounced its dismal fate. Marx's prophecy became all too real by the 1870s and 1890s, as the cyclical nature of boom and bust was added to the list of attributes describing the capitalist system.

It was only in the aftermath of the Great Depression, and under the influence of Keynesian economics, that the liberal view underwent fundamental modification. The reality of the "welfare state" has gradually gained ascendance over laissez-faire capitalism. Most economists no longer consider it illegitimate for the state to intervene in the market to promote stable growth and to correct the imbalances and dislocations produced by the imperfections of the market. As Keynes (1936: 373) noted, the implications of his analysis debunked the old order:

> Thus our argument leads towards the conclusion that in contemporary conditions the growth of wealth, so far from being dependent on the abstinence of the rich, as is commonly supposed, is more likely to be impeded by it. One of the chief social justifications of great inequality of wealth is, therefore, removed.

The change in orientation of liberal theory has been limited, however, to domestic policies in the already developed countries. According to liberal theorists, Keynesian economics do not apply to underdeveloped countries, where the resolution of domestic inequalities must be postponed for the sake of capital accumulation. The necessity for a high rate of capital formation results in an argument against internal redistribution on the grounds that the propensity to save is greatest among the high income groups (Heilbroner, 1963). Government efforts to achieve equitable income distribution and to provide social services would disrupt development progress (Galenson, 1959).[5]

The "trickle-down" thesis, which underlies the liberal analysis of domestic inequality within Third World countries, has its counterpart in the liberal analysis of international inequality. Liberal international economic theory remains grounded in the law of comparative advantage and continues to promote the doctrine of free trade. Combined with the unrestricted movement of capital, free trade would maximize world production through optimal efficiency in resource allocation. Any maldistribution resulting from global economic transactions, conducted acording to liberal principles, is considered to be only minor. Furthermore, under the assumptions of the theory, there would be an equalization of prices for the factors of production and, as a result, a tendency toward an equalization of incomes (Ellsworth, 1969: 189-202). Thus, free trade would also promote maximum world welfare. The tendency of international disparities to increase has not been a consequence of liberal principles in action, according to advocates of liberal theory, but has been an anomaly further exacerbated by national governments' attempting to shortcut the market mechanism. A prime example of "irrational" state behavior is the policy of import substitution, which will be discussed further in the section on economic nationalism below.

5. This economic analysis has its counterpart in the prevailing American literature on political development, in which the apparent necessity to place effective limits on the input of popular demands into the decision-making process accounts for the preoccupation with nation-building, governmental penetration, and stability (Bodenheimer, 1970; Kesselman, 1973).

Third World countries are on the "periphery" of the global economy and, for liberal theorists, this condition is the basis of the problem, in addition to domestic bottlenecks. Thus, the liberal solution is the further incorporation and integration of the Third World countries into the global economy. Although the contemporary international economy does not fulfill all the liberal requirements, such as perfect competition, the liberal position dictates that the periphery states accept these imperfections and seek "second-best solutions." The leading approach in current developmental policy, consistent with liberal principles, is the promotion of manufactured exports (Ward et al., 1971; Cooper, 1972). A major reason for the adoption of this policy was the argument, put forth by economists such as Chenery (1971), that it was not the lack of resources but the allocation of resources which was the major problem for most Third World countries.[6] Import substitution policies, which had been prevalent in the 1950s, had resulted in the misallocation of resources owing to insulation from market regulation. The promotion of manufactured exports, on the other hand, requires a greater sensitivity to market conditions and, as a result, enhances the efficiency of production.

The case which best reflects the analysis and prescriptions of liberal thought is that of Brazil. Since 1964, Brazil has allowed such policies and has achieved growth rates in GNP of 8% to 10%. The key to Brazil's success has been its ability to attract foreign investment from multinational corporations by providing a stable political climate, low wages, and tax incentives. As will be discussed below, the method of development illustrated by Brazil has been severely criticized by the dependency theorists, among others (Berger, 1974; Furtado, 1973b; Evans, 1976). Most of these criticisms have focused on the high degree of domestic inequality in Brazil. Yet another problem is the fact that only a handful of periphery states have been able to achieve high aggregate growth rates through the promotion of manufactured exports. The source of this problem is the unwillingness of the

6. Of course, Baran (1957) had made this identical point some ten years earlier.

center states to open their markets to manufactured exports from more than a few periphery states. As we shall see shortly, it is this latter area in which those advocating an internationalist approach have been most active. In any case, the liberal diagnosis can be criticized on substantive grounds, and its prognosis on the basis of feasibility.

Economic Nationalism

One of the earliest and most significant criticisms of liberal theory came in the form of List's (1966) arguments for economic nationalism. Concerned with the slow rate of national development in his homeland, Germany, List made two major departures from the British school. First, he emphasized the role of the state in promoting economic growth and development rather than the self-regulating market. In particular, the state should eliminate internal barriers to trade, subsidize the creation of infrastructure, and promote home industry and the export of manufactures.[7] It is in the area of home industry that one finds List's second departure from liberal theory. He argued that free trade would perpetuate Britain's domination of the nineteenth-century global economy. To prevent Britain from flooding the Continent and Germany with manufactures, List recommended protective tariffs behind which German industry could flourish. This line of reasoning is the now familiar "infant" industry argument. In addition, the revenue earned from protective tariffs could be used to provide social services for the workers. Thus, if states followed the policies outlined by List, inequalities both between and within states would be reduced.

List's formulation of economic nationalism had a profound influence on the European Continent, the United States, and

7. Although current liberal thought also favors the strategy of promoting manufactured exports, this is to be done through subsidies rather than protection. The liberal strategy invariably requires foreign ownership or control over the new industries, as in the case of Brazil. Economic nationalists favor the promotion of manufactured exports through import substitution so as to encourage domestically owned industries. The goal of the latter approach is to enhance national power, which is considered incompatible with foreign control over key areas of the economy.

Japan. In fact, the modern history of economic relations among states has undoubtedly followed Listian principles more closely than liberal theory. It should be remembered, however, that List was not an opponent of free trade in theory. He did contend that free trade was predicated upon a relative equality in the level of economic development among states. Until such a condition of equality was achieved, free trade would be detrimental to the less developed states.[8]

A major test of the economic nationalist case, at least for economists, was the failure of import substitution policies (Hirschman, 1968). Under the influence of Prebisch's earlier writings (1950), import substitution was a popular policy in the 1950s, especially in Latin America. This program, which restricted the imports of manufactured goods through tariff protection, was designed to induce industrialization. The rationale for the policy was derived from two arguments. First, it was argued that traditional primary exports were not growing fast enough to finance the volume of imports needed for domestic developmental programs. Second, there was the familiar infant industry argument, as developed by List. Both of these arguments were further justified by the tariff policies pursued by the developed states. That is, the developed states impose higher duties on a product in accordance with the degree of processing it has undergone (e.g., raw cotton versus textiles). Because of such policies, the promotion of manufactured exports was not considered to be a feasible option.

In spite of the above arguments, import substitution had several undesirable consequences, which eventually resulted in its repudiation, even by Prebisch (1964). As a consequence of restricting imports to only essential foodstuffs and raw materials, luxury goods (e.g., automobiles) were, in effect, given the most protection. In addition to its inefficiency and undesirability, the production of luxury goods in Third World economies soon

8. Thus, Listian analysis can be cited in support of Third World demands for preferential treatment from the developed countries. Likewise, it is a debatable interpretation to cite List, as contemporary economic nationalists have done (Calleo and Rowland, 1973), in prescribing relations among the developed countries.

encountered the problem of limited markets. Import substitution is designed to stimulate production primarily for the home market. However, since a large majority of the population in Third World countries exists at the subsistence level, demand for luxury goods is limited to the relatively small middle and upper classes. On the other hand, the firms developing behind the protective tariffs were often too inefficient to compete on the world market.[9] Prebisch, who was keenly aware of this particular problem, saw the expansion of regional trade among the Latin American countries as the solution. For a variety of political and economic reasons, however, the Latin American Free Trade Association was not able to provide a mechanism by which the Latin American countries could significantly increase regional trade.[10]

Although import substitution has been generally discredited as an economic policy, the position of economic nationalism still retains eloquent spokesmen, as demonstrated in the recent work of Caleo and Rowland (1973). Their explanation for the failure of import substitution, in contrast to the above, emphasizes the political over the economic:

> Import-substitution policies came to Latin America in force only after the depression wrecked the international liberal order. But far from breaking radically with the past, import substitution, at least initially, was designed to preserve rather than disrupt the role, including the consumption patterns, of the traditional elites. As a result, countries sought to industrialize, but without those political and social changes which would create a democratic mass market for the products of new industry [Calleo and Rowland, 1073: 245].

9. Furtado (1973b) argues that Latin American states, such as Brazil, are attempting to overcome the problem of limited markets through government taxes to increase income inequality, thereby expanding the purchasing power of the upper classes..

10. There were two other consequences which compounded the defects of inefficiency and limited markets. One was the tendency toward monopoly, which simply reinforced the inefficiency of production. The other was the tendency of the Latin American countries to encounter balance-of-payments deficits. The primary solution to this latter problem is further restriction of imports. However, since imports had already been cut back to only essential goods, further contraction of imports cut off goods needed for further growth (Ward et al., 1971).

However, Calleo and Rowland also argue that a return to liberal principles would only make matters worse. By sustaining their present status in international markets, a liberal world order would undermine the nation-building efforts of Third World governments, which is their most urgent task.

As the above discussion reveals, both the liberal and economic nationalist positions rest on the assumption that the key to progress in the Third World lies in a replication of the Western experience. The differences between the two schools are derived from their respective interpretations of Western development. Liberal theorists emphasize the market and their interpretation of British economic history. On the other hand, economic nationalists focus on the role of government with historical examples such as Germany. Both of these interpretations rest on yet another assumption, which "is that the world market is, on the whole, a fluid place in which goods, capital, manpower, and ideas can move freely to achieve the optimum 'mix' of factors of production and, hence, the optimum growth of real resources" (Ward et al., 1971: 153). However, contemporary international markets are far more advanced and less fluid than they were in the eighteenth and nineteenth centuries, which makes this latter assumption a myth. Thus, it is highly questionable that a world in which either liberalism or economic nationalism prevailed would actually reduce the levels of inequality that abound in the present system.

The above two schools represent "realist" positions in that liberalism attempts to come to grips with the realities of the market, and economic nationalism tries to reconcile the demands of national power in ordering the economic sphere. The next two approaches discussed are more idealistic in that they call for radical transformations of the present international order.

Internationalism

A critique of liberalism, with a more recent origin than that of economic nationalism, is the internationalist approach developed

by Myrdal (1957, 1970) and Prebisch (1964). Although their respective theoretical arguments differ, the major thrust of their criticisms is similar. Liberal international economic theory is criticized on the grounds of relevance. The factor-price-equalization argument assumes perfect competition and static conditions—assumptions which obviously do not hold in the real world. Myrdal and Prebisch argue that even to the degree that these assumptions do hold, the international market has and will continue to breed inequalities both within and between nations. Under the present liberal regime, inequality between nations will not be reduced because deviations from the ideal model tend to favor the center states, reinforcing the disadvantages for the periphery states generated by the market. As Myrdal (1970: 279) states:

> international trade . . . will generally tend to breed inequality, and will do so the more strongly when substantial inequalities are already established. . . . Unregulated market forces will not work toward reaching any equilibrium which could imply a trend toward an equilization of incomes. By circular causation with cumulative effects, a country superior in productivity and income will tend to become more superior, while a country on an inferior level will tend to be held down at that level or even to deteriorate further—as long as matters are left to the free unfolding of the market forces.

It is this last criticism which both Myrdal and Prebisch emphasize. Since there is no world government to intervene in the international market to correct the uneven development among nations, it is essential that international institutions be created to deal with problems arising for the periphery states. However, in the economic reconstruction following World War II, efforts to establish a World Trade Organization to handle such problems were thwarted by the center states under the leadership of the United States. It was not until 1964, with the creation of the United Nations Conference on Trade and Development [UNCTAD], over the objections of the center states, that an institution was established to deal with the plight of the Third World in the global economy (Gosovic, 1968).

The major objective of UNCTAD has been to secure non-reciprocal tariff reductions by the center states on manufactured exports from the Third World as a whole. This approach can be viewed as an alternative to formal aid programs and as an indirect mechanism of redistribution. A major factor influencing UNCTAD's policy direction, in addition to the failure of import substitution schemes, has been the ineffectiveness and low level of support for traditional economic assistance programs, which have been the prevailing feature of international efforts to deal with Third World problems. In fact, controlling for aid as a percentage of donor's GNP and inflation, the actual flow of economic assistance from the rich to the poor states has decreased between 1962 and 1972 (Blake and Walters, 1976: 128).

In addition to declining aid flows, many periphery states have incurred serious debt-servicing problems. As Blake and Walters (1976: 134) state:

> annual repayments of past debts by poor states as a whole are growing about twice as fast as their export earnings, from which these debts must be serviced. Hence, in years to come an increasing proportion of poor states' foreign exchange must be spent to retire past debts rather than to fund new development.

Finally, scholars from a variety of theoretical positions have recently launched a comprehensive critique of both bilateral and multilateral aid programs (Strout and Clark, 1969; Myrdal, 1970; Griffin and Enos, 1970; Hayter, 1971; Goulet and Hudson, 1971; Bhagwati, 1972; and Payer, 1974). These critics argue that while aid programs have benefited the center states in numerous ways, they have had little noticeable beneficial impact on the developmental performance of periphery states. The studies by Strout and Clark, Griffin and Enos, and Bhagwati have reported findings showing a lack of association between aid received and need, as well as a lack of association between aid and performance. Thus, criticisms of past and present aid programs, plus the decreasing significance of aid, suggest that the future potential of aid in making a major contribution to Third World development is problematic at best.

It is the background provided by the failure of direct redistribution that explains UNCTAD's emphasis on nonreciprocal tariff reductions by the center states. The purpose of such an agreement is to allow periphery state firms to gain a greater share of the world market and, as a result, stimulate the growth of Third World economies. Of course, the major obstacle to such an agreement is the unlikelihood that the center states will allow such a broad and nonreciprocal liberalization in trade. Powerful business and labor interests in the center states are continuously lobbying with their respective governments to prevent such agreements so as to ward off foreign competition (Blake and Walters, 1976: 109-115). On the other hand, without such an agreement it is very unlikely that firms in the periphery will be able to compete successfully on the world market with center state firms.

Another factor complicating UNCTAD's efforts is the denationalization of Third World industrial sectors owing to the increase in investment from the multinational corporations (MNCs) headquartered in the center states (Barnet and Muller, 1974; Cohen, 1975). That is, the benefits derived from the nonreciprocal tariff reductions, as achieved by UNCTAD to date, may be going to the MNCs rather than to periphery state firms. Thus, although there has been some progress in this area, it is still unclear whether UNCTAD's strategy will succeed in attaining the goal of development through the promotion of manufactured exports from the Third World.

In addition to international organizations, the periphery states have employed various regional strategies, such as the foreign investment code of the Andean Common Market (Blake and Walters, 1976: 171), and commodity cartels, as in the case of OPEC (Hveem, 1977). The former represents an effort to place uniform and strict controls on the MNCs so as to make these firms' operations compatible with state objectives. The latter case represents an attempt to exploit majority control over a resource vital to the global economy in general and the center states in particular.

The major obstacle to the successful implementation of such policies is the degree of unity among Third World states, which,

of course, is also a problem for international organizations such as UNCTAD. In the case of regulating foreign investment, the failure to have universal codes across the Third World allows the MNCs to shift operations to more hospitable areas. In the case of commodity cartels, the lack of unity among the major producing states will deflate their monopolistic bargaining position. Even in the case of OPEC, the matter of whether or not that organization will remain viable in the future is an open question. Furthermore, many of the commodities exported by the periphery states are much less vital than oil, a fact which reduces the prospects for OPEC becoming a model capable of replication.

If flaws in the present international economic order account for the widening gap between the rich and poor countries, then, according to internationalists, it is the failure of Third World governments to initiate and implement necessary reforms that accounts for the continuing high degree of inequality within countries. Myrdal (1970) characterizes this latter phenomenon as the "soft state," a term which refers to the lack of social discipline provided by governmental institutions. Furthermore, internationalists hypothesize a direct link between the soft state and the international economic order. Myrdal (1970: 72-73) summarizes this relationship:

> In the worldwide colonial power system as it functioned until the Second World War, there was a built-in mechanism that almost automatically led the colonial power to ally itself with the privileged groups. Those groups could be relied upon to share its interest in "law and order," which mostly implied economic and social *status quo*. . . . There is no doubt that a similar mechanism has been operating after the liquidation of colonialism and that, now as before, it also has its counterpart in relation to those underdeveloped countries that were politically independent, primarily in Latin America. This is the main justification for use of the term "neo-colonialism."

The "mechanism" which links the soft state to the international market has been the focus of Marxist and dependency analysis, which will be covered in the following section.

Liberal theorists and economic nationalists criticize the internationalist position on the ground that it ignores the realities of the market, in the former case, and the intransigence of national aspirations, in the case of the latter. Marxist and dependency theorists offer yet another criticism, which is that internationalists fail to read properly the implications of their own analysis. If the internationalists are correct in their analysis, contend radical theorists, then a major social upheaval would be necessary to overthrow the soft state. Furthermore, only a socialist regime could provide the social discipline (that internationalists argue is essential) and, at the same time, address the question of inequality. Finally, eliminating the mechanism of neocolonialism between the center and periphery states would also lead to a radical transformation of the present international economic order.

Marxist and Dependency Theory

Most of the contemporary literature on imperialism and dependency can be traced back to the classical formulation of Marxism-Leninism (Hilferding, 1923; Bukharin, 1929; Lenin, 1939; Luxemberg, 1951).[11] Nonetheless, there are several differences between the classical and its modern versions that have both important theoretical and practical implications. First, Marxism-Leninism was originally concerned with explicating the causes of imperialism originating in the contradictions of capitalism. Modern theorists in this tradition are more interested in the other side of the coin; namely, the consequences of imperialist relations for the Third World. Second, the classical versions dealt with the formal empires established and maintained by such powers as Britain in the late nineteenth and early twentieth centuries. Contemporary theorists are concerned with "neocolonialism," or the informal system of dominance main-

11. There is, of course, a non-Marxist tradition in theorizing about imperialism (Hobson, 1965, originally 1902; Schumpeter, 1955), which has its counterpart in the contemporary literature. Sunkel (1972), among the *dependencia* theorists, and Galtung (1971) are two such examples.

tained more by economic mechanisms than by direct political and military control.

More substantively, Lenin (1939) argued that the expansion of capitalism into the Third World would recreate the conflict between feudal and capitalist classes that had resulted in the transformation of Western societies. Lenin further argued that the competition among the imperialist powers (culminating in war) would reduce their hold on Third World areas, thus allowing progressive domestic elements to gain dominance. The failure of history to verify Lenin's vision represents the starting point of contemporary Marxist-Leninist analysis. Baran, a key transitional figure in the modern development of Marxist thought, summarizes the dilemma of underdevelopment:

> While in advanced countries, such as France or Great Britain, the ascending middle classes developed at an early stage a new rational outlook, which they proudly opposed to the medieval obscurantism of the feudal age, the poor fledgling bourgeoisie of the underdeveloped countries sought nothing but accommodation to the prevailing order. Living in societies based on privilege, they strove for a share in the existing sinecures. They made political and economic deals with their domestic feudal overlords or with powerful foreign investors, and what industry and commerce developed in backward areas in the course of the last hundred years was rapidly molded in the straitjacket of monopoly—the plutocratic partner of the aristocratic rulers. What resulted was an economic and political amalgam combining the worst features of both worlds—feudalism and capitalism—and blocking effectively all possibilities of economic growth [Baran, 1970: 287-288].

Lenin believed that the spread of capitalism to the Third World would create the material basis for revolution through industrialization. On the other hand, dependency theorists point to the failure of industrialization to take root in the Third World, owing to the establishment of an international division of labor which has assigned Third World countries to the production of raw materials. Thus, there is no material basis for revolution as described by Marx and Lenin. As we shall see below, the recent upsurge in industrialization in the Third World does not alter this

analysis due to the technological content as well as the class relationships which support the "new" industrial form of dependency.

According to the original formulation of Marxism-Leninism, a national bourgeoisie would evolve in Third World countries and ally itself with the working class to fight the imperialist powers. To the contrary, dependency theorists argue that a genuine national bourgeoisie does not exist, but rather has been synthesized with foreign capital. Thus, it is not in the interests of the bourgeoisie to ally itself with the working class or be antiimperialist. If the strict Marxist-Leninist interpretation were correct, then the social structure of Third World nations would still be semifeudal. Thus, capitalism would be a progressive force for the Third World. For dependency theorists, the Third World has been fully integrated within the international capitalist system, and thus, socialism represents the only progressive force of change.

The competing analyses summarized above culminate in the identification of revolutionary classes in the Third World. For Marxist-Leninists, the working class is the most exploited and, thus, the most revolutionary. For dependency theorists, the mainstream working class in Third World countries has been co-opted by capitalism, leaving the peasants, the lumpenproletariat, and the marginal working class as possessing the most revolutionary potential. Dependency analysis dictates direct revolutionary action, as illustrated by the communist revolutions in China and Cuba, as the solution to dependency and underdevelopment. Since dependency theory has eclipsed classical Marxism-Leninism, especially in terms of American social science, the remainder of this section is devoted to a fuller presentation of the *dependencia* position in addition to two more general formulations offered by Galtung (1971) and Wallerstein (1971a, 1974b).

Dependencia is rooted in the historical expansion of capitalism, with particular focus on the interplay between the process of capitalist development and Latin American underdevelop-

ment. Latin America, along with the rest of the Third World, was gradually incorporated into the international capitalist system through the establishment of an international division of labor.[12] This division of labor remains the basic foundation of economic and political relations between the center and periphery states to the present. The economic transformation brought about by the spread of capitalism produced the class relations described by Baran (1957, 1970), and a system of production and exchange geared to the interests of the center states. For the *dependencia* theorists, the structural characteristics of the contemporary global system of capitalism, reinforced by class alliances, continue to generate the underdevelopment of Latin America.

The historical and analytical scheme of *dependencia* can be illustrated via another examination of import substitution, which has been previously discussed with reference to the other approaches covered herein. First, the origin of import substitution in Latin America is dated at the 1930s, for some countries, rather than the 1950s (Veliz, 1965; Cockcroft et al., 1972). The Great Depression and World War II cut off imports from the center states, forcing the Latin American states to adopt import substitution policies. Following the war, the various factors discussed have reinforced this direction. Thus, "incipient" industrialization has been underway in Latin America for a considerable period of time. Furthermore, several Latin American countries have achieved short-lived but impressive rates of industrial growth. More important, these periods of growth occurred when ties to the center states were weakest (Griffin, 1969; Frank, 1969). *Dependencia* theorists explain the eventual failure of import substitution on the basis that it did not lead to the break-up of the coalition between traditional and capitalist class interests. As a consequence, the domestic maldistribution of income was not lessened, effective demand was not able to keep pace with indus-

12. The time frame referred to here is the nineteenth century. For a provocative study which attempts to trace the origins of the present system back to the sixteenth century, see Wallerstein (1974a).

trialization, and industrialization stalled in the face of limited markets.

In addition, *dependencia* theorists argue that import substitution actually produced greater dependence of Latin America on the center states through the increasing role of the MNCs in Latin American economies. That is, import substitution programs were often financed and controlled by direct foreign investment or the organization of domestic capital by the MNCs. Such a process effectively removed the possibility of achieving national control over the economy.

The process of denationalization was expedited by the switch from import substitution to the promotion of manufactured exports in the 1960s. An example is the case of Brazil, which, as previously noted, is also cited as an example of successful development based on liberal prescriptions. That is, Brazil's growth in GNP has occurred in the context of denationalization of the industrial sector: foreign firms account for "72 percent of total investment in the capital goods sector, 78 percent of total investment in the consumer durables sector, and 53 percent of total investment in the consumer nondurables sector of the Brazilian economy" (Blake and Walters, 1976: 171).

Cardoso (1973) and Furtado (1973b) argue that Brazil's recent development experience signifies a process of externally induced economic growth gained by curtailing or reducing domestic mass consumption and welfare. A recent study by Evans (1976) presents data consistent with the Cardoso-Furtado thesis. Traditionally, Brazil illustrated a typical periphery economy in that production was concentrated in the primary sector, especially coffee. Yet, between 1960 and 1970, the value of coffee as a percentage of total Brazilian exports decreased from 53% to 25%. The decline of the role of coffee reflected the upturn in the production and export of manufactures, which has been financed by foreign investment. In 1950, U.S. investment in Brazil's manufacturing sector was 44% of total American investment in Brazil. In 1973, this figure had increased to 69%. Finally, income distribution has become more skewed over this period. Between 1960 and 1970, the share of national income held by the lowest 40% of

the population decreased from 34.3% in 1960 to 27.5% in 1970 (Evans, 1976: 50). Thus, *dependencia* theorists argue, the increase in Third World industrialization, accelerated over the last ten years, has not led to any basic changes in the structures of dominance/dependence between the center and periphery states. As Dos Santos (1976: 86) states:

> The new phase of big capital, relying on multinational corporations, leads to a new international division of labor which presupposes an increase in the industrialization of raw materials and of products of a low degree of technological development, and the export of these products to the dominant centers, particularly to the United States which, in its turn would specialize in the production of goods and services for export which have a high technological content, and the export of capital, thus raising the parasitism typical of the imperialist powers to its highest level.

Several theorists have attempted to generalize beyond *dependencia* to construct a global theory explaining inequality between and within countries. The two most important of these has been Galtung's (1971) "structural" theory of imperialism, and the Marxist "world-economy" approach developed by Emmanuel (1972), Amin (1974), and Wallerstein (1974a, 1974b).

Galtung's analysis is based on a center-periphery model of the international system in which the "harmony of interests" between elites in the center and periphery states serves as the foundation. Rather than focus on class formation, however, Galtung concentrates on the exploitation contained in the patterns of interaction that have arisen between the center and periphery states as a consequence of class interests. Perhaps the most important of these patterns is that which Galtung terms the "vertical" nature of the international system—a chief example of which is the international division of labor. Although the negative effects of this division of labor are usually discussed with reference to terms of trade, Galtung gives analytical priority to "intra-actor effects," which refer to the domestic consequences for development derived from a country's role in international production. Because Third World countries specialize in the production of

raw materials, they lose the stimulus for research, improved skills, and other attributes associated with an economy that processes raw materials into manufactured goods. Thus, for Galtung, inequality between and within states is a consequence of the differences in intra-actor effects derived from the system of production and exchange between the center and periphery states.

It is the emphasis on intra-actor effects that places Galtung's approach into sharp contrast with that of Emmanuel, Amin, and Wallerstein. For these theorists, it is the differences in the inter-actor effects of the global capitalist system of production and exchange that accounts for inequality between and within countries. Mack (1974), in his comparison of Galtung and Emmanuel, has argued that these two approaches are complementary in that the Marxist interpretation can explain cases such as Australia and Canada, which are anomalies in Galtung's theory (since both countries primarily export raw materials but are also advanced economies). However, Mack's argument is probably an over-simplification. As Wallerstein (1974b: 5) argues:

> If in the sixteenth century, peripheral Poland traded its wheat for core Holland's textiles, in the mid-twentieth-century world, peripheral countries are often textile producers whereas core countries export wheat as well as electronic equipment. The point is that we should not identify any particular product with a structural sector of the world economy but rather observe the wage patterns and margins of profit of particular products at particular moments of time to understand who does what in the system.

The seeming incompatibility between these two interpretations can perhaps be best explained by their respective origins. Whereas Galtung's structural analysis is derived from stratification theory in sociology (Galtung, 1970), the Emmanuel/Wallerstein world-system formulation is an expansion of Marx's accumulation model to the international level.

Emmanuel's (1972) theory of "unequal exchange" in trade among nations provides a concrete presentation of the world-system model. His analysis, partially derived from Prebisch

(1950), is based on the argument that the differences in wages between the center and periphery states is greater than their differences in productivity. The lower wages in the periphery, beyond differences in productivity, are explained by institutional forces (e.g., the weakness of organized labor) and surplus labor. As a consequence, the prices of Third World exports tend to remain static or decline while the prices for exports from the center tend to rise. Thus, the terms of trade for the periphery, relative to the center, also tend to decline , which in turn explains the widening gap between the center and periphery states. Furthermore, and because the small elite in periphery states are sustained by this unequal exchange, the domestic distribution of wealth will also be skewed.

As the above summary indicates, commodity specialization is irrelevant in Emmanuel's theory, since the forces suppressing wages in the Third World would not be affected by changes in commodity production. On the other hand, commodity specialization is central to Galtung's formulation. Although the Marxist interpretation appears to explain more than Galtung's, it does so at the cost of theoretical complexity in that the analysis is anchored in the labor theory of value, an empirically elusive concept. Nevertheless, some of the comparative research to be reviewed below does address the question of intra- versus inter-actor effects.

Regardless of the differences outlined above, most dependency theorists would probably agree that the particular form in which capitalism has molded the domestic class structures and external relations of the periphery states precludes the possibility of genuine national development in the Third World within the context provided by the present international order. As a consequence, only revolution and socialism, coupled with counter-dependency policies, provide a realistic solution for the periphery states. Revolution would break up the domestic and external class alliances and, thus, eliminate the major obstacle blocking development. Socialism would bring about social equity and harness the human resources of the nation to the task of development. Counterdependency policies would include the refusal to

accept economic aid on existing terms from the center, the nationalization of foreign enterprises, and the nonreliance upon export markets to the center, among others.

The case most often cited as illustrating the implications of socialist and counterdependency development is the People's Republic of China (PRC; Gurley, 1971). For scholars involved in the ethical issues of Third World development, the PRC is often viewed as the major alternative model to that suggested by Brazil (Berger, 1974; Goulet, 1975). The disturbing feature of both models is the implication that a relatively high degree of political control and repression is essential to impose the discipline necessary to achieve development under typical Third World conditions. Advocates of the Chinese model employ an end-justifies-the-means argument in that the exercise of control in China has been to achieve social equity rather than growth under conditions of structured inequality, as in the case of Brazil.

In addition to the ethical dilemma raised by the cases of Brazil and the PRC, there is the problem of generalizing from these two cases. Both countries are large and endowed with natural and human resources well beyond the capabilities of most other periphery states. The question of feasibility is especially pertinent to the issue of whether the developmental performance of periphery states would improve if ties to the center states were cut. Given the existing degree of dependence on the center, it is only logical that a radical disruption would have immediate negative consequences. The collapse of the Allende government in Chile illustrates the extent to which retaliatory measures by the center states can undermine developmental efforts (Petras and Morley, 1975).[13]

Finally, there are the related questions of whether capitalism is indeed the real culprit in the perpetuation of inequality, and if an international system made up of socialist states would necessarily bring an end to relations of dominance/dependence among

13. Allende's policies brought retaliation from the United States in the form of economic sanctions among other measures, which in turn caused dislocations in the Chilean economy. These unfavorable economic consequences acted to stimulate conservative elements within the society to intervene, thus bringing the overthrow of Allende.

nations. It is with regard to these questions that Galtung's (1970, 1971) approach has clear advantages in comparison to the others covered in this section. Structural analysis, as developed by Galtung, does not presuppose any particular type of economic system. Thus, Soviet imperialism no longer represents the possible obstacle for theory-building as argued by many critics of dependency theory (Ray, 1973). More important, Galtung avoids the tendency to rely on an "ultimate revolution" as a cure-all for existing inequities. It is suggested that such prescriptive caution is essential if the study of international political economy is not to be stifled by ideological rigidity.

A Review of the Formal Comparative Research

Since the early 1970s, a number of quantitative comparative studies have been published dealing with dependence, development, and social equity. Although the majority of these studies has been conducted to test dependency theory, they also speak to the other approaches covered herein, especially liberalism.

INEQUALITY WITHIN NATIONS

From our review of the theoretical literature, it was found that two major areas of contention had to do with the relationship between growth and equality, as well as dependence and equality, under conditions of underdevelopment. For example, it has been considered a valid generalization in liberal analysis that inequality will widen in the early phases of development and growth and will only begin to narrow when the economy achieves consumer-based status (Kuznets, 1963; Adelman and Morris, 1973). That is, capital formation must take precedence over social equity. However, findings reported by Jackman (1975) and Rubinson (1976) fail to support the curvilinear hypothesis of liberal theory, although they did find that economic development is associated with a reduction in income inequality. Also, a study by Oshima (1970) of the relationship between income inequality

and economic growth in the Asian countries during the decades following World War II found that the countries with the lowest level of income inequality also had the highest per capita and aggregate growth rates.

The above studies suggest that there is no natural mechanism within the market that automatically leads to better income distribution. In the search for intervening variables that would explain the reduction of inequality under conditions of growth, Jackman (1975) found the existence of government-sponsored social insurance programs to be the most important element (superior, for example, to the influence of democratization). However, Rubinson (1976) found that state strength, as measured by government revenues as a percentage of GDP, explained the differences in domestic income inequality between states better than the social insurance variable used by Jackman. Rubinson's interpretation of his findings, based on the work of Wallerstein, is "that state strength decreases income inequality because the state is a mechanism of power and control over production in the world-economy" (Rubinson, 1976: 651). Rubinson constructed the Marxist interpretation was more accurate in explaining differences in domestic income inequality among countries. Yet, his identification of state strength as a key intervening variable between growth and inequality can also be cited as supporting the economic nationalist approach.[14] It is also too early to rule out completely the liberal model, since it hypothesizes an indeterminate time period before growth reduces inequality. Existing data are too scarce and unreliable to test such a lag relationship. Thus, the studies reported cannot be labeled as definitive since the findings are too limited and open to multiple interpretations. Perhaps longitudinal studies of individual countries, by providing a time period long enough to expose the relationship between

14. The above reasoning suggests that the concept of "state strength" as used by Rubinson is ambiguous. Furthermore, the ability of governments to extract revenues from their populations may be a valid measure of state strength, but it does not follow that those revenues are necessarily used to promote social equity. Thus, the association between state strength and income equality may be spurious.

growth and inequality, can produce the conceptual and empirical clarification required.

Our second issue deals with the effects of external dependence on the domestic distribution of income. It was shown previously that the various formulations of dependency all agreed in hypothesizing that the higher the degree of external dependence, the higher the degree of domestic inequality. With the exception of the limited support found by Tyler and Wogart (1973) and Ray and Webster (1978) and the negative findings of Kaufman et al. (1975), other studies have found strong support for the dependency hypothesis (Galtung, 1971; Walleri, 1975; Chase-Dunn, 1975; Jackman, 1975; Rubinson, 1976). The above studies have employed a wide range of independent variables covering general dependence on the international market, trade dependence, foreign economic penetration, and debt dependence, with daily per capita calorie supply, and income and land inequality as the dependent variables. At this time there does not appear to be any single explanation for the differences between the former and latter findings. All of the studies differed in sample size, time period, operationalization, and technique of data analysis. Some or all of these factors could account for the contradictory results. Nonetheless, it does appear that the preponderance of evidence supports the dependency argument that external dependence is an important factor in the relative degree of domestic inequality among countries.

Special note should be taken of Rubinson (1976), since it speaks to the controversy over intra- versus inter-actor effects discussed with reference to the work of Galtung (1971), Emmanuel (1972), and Wallerstein (1974b). Rubinson found that the effect of vertical trade on income inequality was reduced to insignificance when controlling for general dependence on the international market (exports and imports as a percentage of GDP). That is, commodity specialization does not appear to have an independent effect on the differences in domestic inequality among nations.

INEQUALITY BETWEEN NATIONS

Turning now to the widening gap phenomenon, a review of the formal comparative research leads to a similar conclusion to that found with the studies of domestic inequality. The independent variables are similar to or identical to the ones mentioned above, with the dependent variables now measuring national growth and development, such as GNP per capita. The reader will recall that liberal theory hypothesizes that if nations specialize in production according to comparative advantage and under conditions of free trade, then maximum economic growth and a tendency toward an equalization of incomes among nations should be the result. That is, the current international division of labor is a consequence of resource endowment and market forces, and the tendency of the gap to widen is an anomaly. However, we have also seen that liberal theorists have recently revised the classical formulation to include the promotion of manufactured exports (although still within the confines of comparative advantage). As will be shown below, this latter qualification increases the complexity of interpreting the quantitative research.

The dependency analysis of the widening gap is simply the antithesis of liberal theory. The current international economic order was forced upon the periphery by the center states. The dominance of the center states within this system has generated a cycle of production and exchange with greater benefit to the center and, thus, greater international inequality.

Since Latin America has been the origin as well as a major object of research on dependency, it seems appropriate to begin with a review of the studies using that subset of nations. There have been three systematic empirical tests of dependents and development in Latin America; namely Kaufman et al. (1975), Alschuler (1976), and Ray and Webster (1978). Kaufman et al.'s study found support for the liberal model in that the more dependent Latin American states demonstrated better economic performance than the less dependent states. However, Alschuler reported just the opposite results. A reanalysis of the Kaufman/ Alschuler data by by Ray and Webster supported the Kaufman

findings. Although their findings failed to support dependency theory, Ray and Webster concluded that "the positive relationship between dependency and growth would not imply that dependency theory as a whole is inapplicable to Latin America in the 1960s, for at least two important reasons" (1978). These reasons include both methodological and substantive considerations. In the case of the latter, Ray and Webster (1978) point out that "dependency theory, as a body of literature, does not consistently assert that dependency hinders economic growth in terms of GNP-based indicators. Some dependency theorists, indeed, assert the opposite, and that dependency leads to *distorted* economic growth." Of course, by "distorted" economic growth Ray and Webster are referring to the distribution of wealth within countries. This is certainly a credible interpretation in light of the findings reported in the previous section. The only other regional study is McGowan's (1976) analysis of dependence and economic performance for the Black African states. McGowan's findings were basically inconclusive.

All of the other studies have used a much larger sample of countries (as many as 88 in Walleri, 1978), and all have found substantial support for the dependency version (Galtung, 1971; Chase-Dunn, 1975; Jackman, 1975; Walleri, 1975, 1978; Rubinson, 1976). Thus the number of countries in the analysis appears to be a significant factor in explaining the more positive findings of the global rather than the regional studies. In the case of the regional studies, a limiting factor to finding conclusive results may be the relatively small number of cases. For example, Ray and Webster (1978) found the effects of a single outlier to be highly significant. On another point, Walleri (1978) has noted that the inclusion of the center states seems to be especially pertinent in finding a strong association between dependence and underdevelopment.[15] Walleri (1978:

15. Walleri argues that inclusion of the developed countries in the analysis is warranted by the theory, in that dependency theory is premised on the hypothesis that it is the interaction between the center and periphery states which explains the widening gap. Thus, it is not essential that the theory explain differences in performance among a sample of Third World countries, which have relatively little interaction with each other.

TABLE 2
Summary of Findings from Formal Comparative Research

Inequality Within Nations		
Liberalism	*Dependency*	*Inconclusive*
Kaufman et al. (1975)	Galtung (1971) Chase-Dunn (1975) Jackman (1975) Walleri (1975) Rubinson (1976) Ray & Webster (1978)	Tyler & Wogart (1973)
Inequality Between Countries		
Liberalism	*Dependency*	*Inconclusive*
Kaufman et al. (1975) Ray & Webster (1978)	Galtung (1971) Chase-Dunn (1975) Walleri (1975) Alschuler (1976) Walleri (1978)	McGowan (1976)

3) goes on to argue that the inclusion of both center and periphery states in an effort to get at the widening gap phenomenon does raise a question of causal inference, "since it could be argued that a high degree of external dependence is a symptom of underdevelopment rather than a cause." With regard to the causality problem, Walleri and Chase-Dunn (1975) have used cross-lagged panel correlation analysis to show that "the direction of causal preponderance is from dependence to developmental performance" (Walleri, 1978: 27).

Table 2 summarizes the above studies with regard to the support they found for the two relevant approaches—namely, liberalism and dependency. Internationalism and economic nationalism were not included in the table because none of the studies was designed to test directly either of these two approaches. Obviously, the vast majority of the studies supports dependency theory. However, and as previously noted, the results favorable to dependency theory can also be interpreted in support

of the other two antiliberal approaches. In order clearly to differentiate dependency from these other two positions, it will be necessary to control for the impact of international organizations designed to aid Third World development (in the case of internationalism) as well as the impact of differing foreign economic policies pursued by Third World governments (in the case of economic nationalism).

A final problem with the studies supportive of dependency theory is that it is unclear which formulation of dependency is actually being tested. Galtung (1971) can be cited in establishing the trend in the operationalization pursued in subsequent research, but the theoretical linkage between Galtung's structural approach and the other studies is less evident. The quantitative research has also drawn upon the *dependencia* theorists, but the indices of dependence most commonly employed are extremely limited referents to the conceptualization found in that literature. This latter problem can be understood in the limits of the behavioral interpretation given to the scientific method. That is, American social scientists attempting to test *dependencia* have been circumscribed by the availability of data which can be logically connected to the theoretical concerns.

Conclusion

Four approaches to the study of international political economy have been identified and compared with regard to their respective analyses of inequality between and within nations. The formal comparative research, which speaks to the areas of contention among these approaches, was also reviewed. Although there is mounting evidence in support of dependency theory, the research cannot be labeled as definitive owing to the inconsistencies and limitations uncovered in the review process. Nonetheless, the studies cited should act as a stimulus to even more research which will undoubtedly add considerably to the body of cumulative knowledge already established. The quantitative research reviewed here has been especially helpful in

determining the validity of the basic assumptions of each approach referred to in Table 1. On the other hand, the research has been less helpful as an evaluation of the policy prescriptions offered by the respective approaches. Hopefully, future research will enter into the area of policy evaluation.

It was suggested that longitudinal studies of individual countries might reduce the existing gap of understanding between theory and data. The traditional case study approach has already demonstrated its utility in exposing the linkages between domestic and international systems (Stauffer, 1974). Yet another problem with the studies reviewed herein is their heavy reliance on economic variables. Studies by Richardson (1976) and Hollist and Johnson (1977) have shown a tentative link between economic and political dependence, with the latter being measured by UN voting behavior. Finally, another line of useful research might be to investigate the socialist states to determine if they exhibit different patterns of interaction from those found among the capitalist states. In any case, with the increasing number of contributions covering the spectrum of fields and theoretical vantage points in the social sciences, the study of international political economy appears to have an exciting and fruitful future.

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