

The Historical Structuralist Perspective

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The term *historical structuralism* encompasses a wide range of theoretical approaches, including Marxism, dependency theory, world-system theory, and Gramscian analysis. All the theoretical approaches in this perspective have some roots in Marxism, but some have diverged quite substantially from mainstream Marxist ideas. As we will discuss, some Marxists accuse dependency and world-system theorists of not being sufficiently Marxist and of being mistaken in their interpretation of Third World development.

There are several reasons why this book refers to the third IPE perspective as historical structuralism. The term *structuralist* reflects this perspective's focus on structural means of exploitation, in which one class dominates another, or rich Northern states in the center or core of the global economy dominate poorer Southern states in the periphery. However, some realists are also structuralists; they explain state behavior on the basis of the structure of the international system. To these realists, a state's power and position in the system are the critical factors affecting its behavior.¹ To differentiate this third perspective from structural realism, we add the word *historical* because theorists in the third perspective take a historical approach to the study of IPE.² According to this group of theorists, history has been marked by exploitation, and the main characteristic of the current system is the dominance of capitalism, with the capitalist class (the *bourgeoisie*) exploiting the workers (the *proletariat*). Thus, the term *historical structuralism* best describes this school of thought.

It is especially difficult to generalize about the basic tenets of the third IPE perspective because of the wide diversity of historical structuralist approaches. The discussion of theoretical developments is therefore particularly important in this chapter; it provides some indication of the wide differences among writers in this school of thought. There is no separate section on North-South relations in this chapter because some historical structuralist approaches—especially the dependency approach—focus almost exclusively on North-South issues.

BASIC TENETS OF THE HISTORICAL STRUCTURALIST PERSPECTIVE

The Role of the Individual, the State, and Societal Groups

Marxists identify the relationship among classes as the main factor affecting the economic and political order. Each mode of production (e.g., feudalism and capitalism) is associated with two opposing classes: an exploiting nonproducing class and an exploited class of producers. Classes are absent only in the simplest mode of production, the primitive-communal, and in the future Communist mode. Thus, Karl Marx and Friedrich Engels write in *The Communist Manifesto*:

The history of all hitherto existing society is the history of class struggles. . . . The modern bourgeois society that has sprouted from the ruins of feudal society, has not done away with class antagonisms. It has but established new classes, new conditions of oppression, new forms of struggle in place of the old ones.³

In most of Marx and Engels's writings, they depict the state as being nothing more than an agent acting at the behest of the dominant class—in capitalism, the bourgeoisie. Indeed, the bourgeoisie uses the state as an instrument for the exploitation of wage labor. Marx and Engels suggest that under certain conditions, the state may have some autonomy from a dominant class. For example, the state's autonomy may increase temporarily during transition periods, when the power of warring classes is more equally balanced.⁴ But in the long run, Marx and Engels argue, the state cannot escape from its dependence on the owners and controllers of capital. Only when the proletarian revolution eliminates private ownership and class distinctions will the state no longer be needed as an instrument of class oppression. A number of later writers—both within and outside the Marxist tradition—have been highly critical of the Marx and Engels position that state actions simply reflect the views of the dominant class (see the following discussion).

The Nature and Purpose of International Economic Relations

Whereas liberals consider economic relations to be a positive-sum game, historical structuralists as well as realists view economic relations as being basically conflictual and zero-sum in nature. Thus, Marx and Engels argue that "one fact is common to all past-ages, *viz.*, the exploitation of one part of society by the other."⁵ This exploitation takes the form of a class struggle, with capitalism being the most advanced stage. Under capitalism, a class of private owners of the means of production extracts surplus value from a class of free but propertyless wage laborers. The private owners then convert this surplus value into capital, which is invested in new means of production.

It is well known that the views of historical structuralists evolved along with changes in the international system. Thus, Marx and Engels initially predicted that the contradictions within the capitalist world would contribute to the absolute poverty of the working class, surplus production, economic downturns, and the eventual collapse of the capitalist system. When this dire prediction was not realized, Lenin and others maintained that *imperialism* explained the continued survival of capitalism.⁶ Imperial-

ism delayed the downfall of capitalism because colonies supplied the "metropole" states with a cheap source of agricultural and raw materials and provided an outlet and market for the metropoles' surplus of capital and manufactured goods.

When the process of decolonization marked an end to the age of imperialism, capitalism continued to demonstrate resilience, and some historical structuralists turned their attention from colonialism to *neocolonialism* as the explanation. Although the imperial powers had ceded direct political control over their former colonies, they continued to control the newly independent Third World states economically.⁷ Others who have sought to explain the persistence of capitalism and Third World underdevelopment include dependency theorists and world-system theorists. *Dependency theorists* argue that the world is hierarchically organized, with the leading capitalist states in the *center* or *core* of the global economy dominating and exploiting poor states in the *periphery*. Only the core states can make autonomous choices about domestic and foreign economic policies, and market mechanisms simply reinforce socioeconomic and political inequalities. Some early dependency theorists asserted that the core states *underdeveloped* the peripheral states, but LDC success stories such as the emergence of the NIEs caused later theorists to acknowledge that development is possible in some Third World states. Nevertheless, these theorists argue that LDC economic growth takes the form of *dependent development*, which involves a close association between elites in the core and the periphery.

Historical structuralists focus on the exploitative nature of capitalism and are thus similar to realists in considering the purpose of economic and political activity to be the redistribution of wealth and power. Unlike realists, however, historical structuralists reject the idea that a meaningful redistribution of wealth and power can occur within the capitalist system. Actively taking the side of the poor and less powerful, historical structuralists argue that the inequalities under capitalism will disappear only after there is a transformation to socialism. The ultimate goal of exploited states and classes, according to historical structuralists, should be to break linkages with the capitalist states and/or to overthrow the capitalist system.

The Relationship Between Politics and Economics

History, according to Marx, is a dialectical process in which there is a contradiction between evolving economic modes of production (e.g., feudalism, capitalism, and socialism) on the one hand and the political system on the other. This contradiction is resolved when changes in the mode and relations of production eventually cause the political "superstructure" to undergo similar changes. Marx viewed politics as being subordinate to economics, and his writings provided the foundation for the instrumentalist tradition in Marxist thought.⁸ **Instrumental Marxism**, like liberalism, perceives formal government institutions as responding in a rather passive manner to socioeconomic pressures. Liberals, however, believe that any societal interest group may have political influence, whereas instrumental Marxists believe the state's policies reflect the interests of the capitalist class. To support their position, instrumental Marxists point to the personal ties between leading capitalists and public officials and to the movement of individuals back and forth between business and government. One instrumental Marxist, for example, argues that the individuals in "all command positions

in the state system have largely, and in many cases overwhelmingly, been drawn from the world of business and property, or from the professional middle classes.⁹

After World War II, many Marxist as well as non-Marxist scholars strongly criticized the instrumental Marxist views because industrial states were adopting a number of social policies such as welfare and unemployment insurance *despite* the opposition of important business groups. As a result, a second tradition of **structural Marxism** emerged. In contrast to the instrumentalists, structural Marxists argue that the state is relatively autonomous from direct political pressure by the capitalist class. Thus, the state may adopt some policies that provide benefits to all major groups in society, including the working class. Although in the short term, some capitalists oppose these state policies; they in fact serve the longer term interests of the bourgeoisie. The bourgeoisie, which has internal divisions, may be less well placed than the state to recognize what policies best serve its own long-term interests. Thus, by providing welfare and other benefits, the state often placates the workers and gains their support for the continuance of capitalism.¹⁰

Although they consider the state to be relatively autonomous, structural Marxists differ from realists in some important respects. The state is not under the direct control of the bourgeoisie in the structural Marxist view, but it shares with that class a commitment to the long-term maintenance of the capitalist system. Realists, by contrast, believe the state has genuine independence from the economic interests of any societal group. Thus, the state in the realist view is free to take those actions it deems necessary to further the "national interest."

KARL MARX AND IPE

Karl Marx (1818–83) did not write systematically on international relations, but his theory of capitalism and class struggle provided the basic framework for historical structuralist approaches to IPE. Although Marx wrote a number of articles about the effect of Western capitalism on non-European areas, his knowledge of economically less developed areas outside Europe was in fact quite limited. At the time Marx was writing, "relatively few sources of information" on non-European areas "were available to him."¹¹ Marx's specific references to the present-day Third World focused primarily on India and China.¹² It was no accident, in Marx's view, that capitalism first emerged in Europe where the feudal mode of production was prevalent. Feudal landholdings were private, so these landholdings could be converted into private bourgeois property when the feudal mode of production was replaced by capitalism.

Marx argued that in contrast to the situation in Europe, an "Asiatic" mode of production that was outside the mainstream of Western development was prevalent in such countries as India and China. The state's presence was much greater in the Asiatic mode, because climate and geography made centralized irrigation important in agriculture. Thus, strong central governments in China and India developed large public work projects to provide water over extensive land areas. At the local level, Marx portrayed oriental society as characterized by small, self-sufficient village communities in which there was communal rather than individual ownership. Because

communal property (locally) and public property (centrally) overshadowed private property in the Asiatic mode, Marx saw no basis for a transformation—as there was in feudalism—from private feudal landholdings to private capitalist holdings. As a result, Marx believed that "oriental societies" such as China and India had no internal mechanisms for change and that external pressure from Western imperialism was necessary if these countries were to progress to capitalism—and then to socialism.¹³

Marx certainly does not glorify British imperialism in India in his writings. Indeed, he harshly criticizes England's role in destroying the Indian handicraft textile industry, first by preventing India from exporting cotton to the European market and then by inundating India with British textiles. Nevertheless, Marx views the stagnant Asiatic society as being even worse than capitalism because it lacked capitalism's capacity for development. He therefore warns us that India's village communities "restrained the human mind within the smallest possible compass, making it the unresisting tool of superstition, enslaving it beneath traditional rule, depriving it of all grandeur and historical energies."¹⁴

In contrast to his view of stagnating Asiatic societies, Marx considered capitalism to be a dynamic, expansive system with a historical mission to move the development process forward throughout the world. Thus, Marx viewed England as performing a dual function in India—first, in destroying the old Asiatic society, and second, in providing the foundation for Western society in Asia. Without this introduction of Western capitalism, Marx reasoned, the conditions for a Communist revolution in Asia would not be met.

Can mankind fulfill its destiny without a fundamental revolution in the social state of Asia? If not, whatever may have been the crimes of England, she was the unconscious tool of history in bringing about that revolution.¹⁵

Although Marx strongly criticized the exploitative nature of British imperialism, he nevertheless viewed it as enabling India to move from the stagnant Asiatic mode of production to the dynamic exploitative mode. The move to the capitalist mode, according to Marx, was a necessary evil because it was a prerequisite for subsequent moves to socialism and communism. It is important to note that there were some major defects in Marx's analysis of Asiatic societies, which are attributed to his lack of first-hand knowledge and his Eurocentric prejudices. Indeed, later in his life Marx repudiated some of his own ideas regarding the Asiatic mode of production and the role of imperialism in promoting capitalism in the East. Despite his apparent change of view, Marx never explained how capitalism could be developed in the Asiatic villages, without Western imperialism.¹⁶

MARXIST STUDIES OF IMPERIALISM

Although Marx raised some important—and contentious—questions about the impact of Western capitalism on non-European societies, systematic studies of imperialism depended on later writers. In contrast to most liberal theories, which emphasize the mutual benefits of international interactions, theories of imperialism portray the world

as hierarchically organized, with some societies engaging in conquest and control over others. Most non-Marxists have used the term *imperialism* in reference to a political rather than an economic relationship between advanced metropolitan countries and their colonies or dependencies. It is therefore ironic that a non-Marxist English economist, John A. Hobson (1858-1940), developed one of the most influential economic theories of imperialism. Hobson argued that three major problems plague capitalist societies: low wages and underconsumption by workers, oversaving by capitalists, and overproduction. Although capitalism is highly efficient and contributes to the production of growing surpluses, private owners increase their profits by paying extremely low wages to their workers. As a result, workers in the capitalist countries have very limited purchasing power, and the capitalists must look to countries abroad as an outlet for their excess goods and profits. Their forays into what is now termed the Third World give rise to imperialism.¹⁷

Despite the influence of Hobson's writings, the most important group of theories of imperialism are Marxist. Indeed, *Imperialism: The Highest Stage of Capitalism* by Vladimir Lenin (1870-1924) became the most widely cited work in this area, even though Lenin borrowed many of his ideas from earlier Marxist and non-Marxist writers.¹⁸ Lenin was interested in the new, expanded form of imperialism of the late nineteenth century, "in which the dominance of monopolies and finance capital [had] established itself" and "the division of all territories of the globe among the great capitalist powers [had] been completed."¹⁹ Lenin, writing in the Marxist tradition, took a far more doctrinaire approach than Hobson. Although Hobson and Lenin agreed that imperialism resulted from low wages and underconsumption by workers, their prescribed solutions were fundamentally different. As a liberal, Hobson believed that imperialism would become less essential if wages were increased and income was redistributed *within* the capitalist system. Lenin as a Marxist, by contrast, believed that exploitation of the workers and imperialism were *inevitable* outcomes of the highest stage of capitalism, and that imperialism could disappear only with the advent of universal socialism.²⁰

Like Marx, Lenin argued that capitalism contributes to overproduction and underconsumption, to lower wages and lower employment for the working class, and to falling rates of profit for the capitalists. However, Marx had predicted that the growing misery of the proletariat would lead to revolution in the advanced capitalist countries, and Lenin turned to imperialism to explain why such a revolution had not occurred. Under imperialism, the export of capital and goods to colonial areas provided new "superprofits" for capitalist firms, which helped them avert economic crises. By using a portion of these superprofits to bribe the working class (or "labor aristocracy") in their home countries with higher wages, the capitalists were able to delay the revolution. However, Lenin argued that imperialism did not mark an end to capitalism's underlying contradictions and that the revolution was still inevitable. Once the capitalist states had divided up the globe into colonial areas, competition among them would lead to interimperialist wars and the downfall of capitalism.

Lenin's position on the effects of colonialism on capitalist development in Third World countries was somewhat ambivalent. On the one hand, Lenin predicted that capitalist monopolies would oppose industrialization in the colonial territories and would use the colonies as sources of raw materials and markets for their manufactures.

On the other hand, Lenin agreed with Marx that colonialism was also a progressive force that was essential for Third World modernization. Indeed, Lenin maintained that capitalism has an inherent contradiction: it develops rather than underdevelops the Third World. As the Western capitalist states export capital and technology to their colonies, they help create foreign competitors with lower wages, which can out-compete them in world markets. The increase of economic competition between rising and declining capitalist powers eventually leads to economic conflict and imperial rivalries.

Although Marx and Lenin viewed colonialism as a necessary evil that would bring capitalist development to the colonial territories, industrialization and development did not occur as anticipated. For example, even after most Latin American colonies gained their independence from Spain and Portugal in the early nineteenth century, their production continued to be concentrated on primary products, their industrialization was limited, and they were highly dependent on capital and technology from the advanced industrial states. The failure to bring about capitalist development in the colonies and former colonies led to major rifts among the Marxists. Most notably, Otto Kuusinen, a Finnish member at the Sixth Congress of the Communist International (Comintern) in 1928, argued that imperialism was economically regressive rather than progressive as Lenin had maintained. The views of Marxists such as Kuusinen were particularly important; they provided a basis for the arguments of the Latin American dependency movement that emerged after World War II.²⁰ As the following discussion demonstrates, dependency theorists "turned classical Marxism on its head" and focused on capitalism's role in hindering rather than facilitating Third World development.

DEPENDENCY THEORY

Writers on dependency (or *dependencistas*) were originally Latin American and/or focused on Latin America, and **dependency theory** became the dominant approach to development among Latin American intellectuals in the 1960s. Some of the important early studies were published only in Spanish; it was not until a number of years later that they were translated and made available to most English-speaking scholars. Dependency theorists reject the optimism of liberal modernization theorists (discussed in Chapter 4) and maintain that the advanced capitalist countries either underdevelop the Third World or prevent Third World countries from achieving genuine autonomous development. The discussion here examines the origins, basic tenets, and critiques of dependency theory. However, it is important to note that there is in fact considerable diversity among the writers who are identified as dependency theorists.²¹

The Origins of Dependency Theory

Dependency theory is based on two major theoretical traditions: Marxism and Latin American structuralism. Some of the most prominent writers on dependency explicitly express their allegiance to Marxism.²² Dependency theorists, like Marxists, limit their

studies almost exclusively to capitalist development, and they adopt much of the language of Marxists, using terms such as *class*, *mode of production*, and *imperialism*. Dependency theorists and Marxists also have a common commitment to taking political action as well as conveying ideas, and both groups advocate the replacement of capitalism with socialism. However, Marxists take a more doctrinaire approach than many dependency theorists regarding the inevitability of socialism.²³

A fundamental difference between Marxism and dependency theory is the fact that dependency theorists focus almost exclusively on North-South relations and on development problems in the Third World. As we discussed, dependency theorists also strongly reject Marxist views that Northern industrial countries are performing a service to Third World countries in the long term by contributing to the spread of capitalism. A key figure in the transition from classical Marxism to dependency theory was Paul Baran. Baran was the first important Marxist theorist to view the Third World as a major area of study, and he differed from his predecessors in arguing that capitalist development was a fundamentally different process in advanced and underdeveloped countries. Unlike Marx, who viewed colonialism as enabling countries such as India to advance from the Asiatic mode of production, Baran emphasized the contradictions between the objectives of the advanced capitalist states on the one hand and the development of "backward" nations on the other. Thus, Baran wrote that

economic development in underdeveloped countries is profoundly inimical to the dominant interests in the advanced capitalist countries. Supplying many important raw materials to the industrialized countries, providing their corporations with vast profits and investment outlets, the backward world has always represented the indispensable hinterland of the highly developed capitalist West. Thus the ruling class in the United States (and elsewhere) is bitterly opposed to the industrialization of the so-called "source countries."²⁴

Baran further maintained that foreign capitalists form alliances with elites in LDCs in their efforts to prevent Third World industrialization. These elites include feudal landed interests and a *comprador class* composed of merchants who import manufactured goods from the industrial states. Thus, Baran diverged from the Marxists, arguing that capitalist development in the industrial states occurs *at the expense of* autonomous development in the Third World. His view was to become a fundamental tenet of the dependency approach:

In addition to its beginnings in Marxism, dependency theory has origins from Latin American structuralism, particularly the ideas of the Argentinian economist Raúl Prebisch, who became director of the United Nations Economic Commission for Latin America (ECLA) in the late 1940s. Prebisch and his followers were called structuralists because they focused on the structural obstacles to Third World development. Prebisch particularly questioned the liberal assumptions that everyone benefits from freer trade, and he argued instead that Third World countries in the periphery of the global economy suffer from declining **terms of trade** with advanced industrial states in the center or core. (Prebisch began to use the terms "center" and "periphery" as early as the 1950s.) Third World countries, according to Prebisch, are at a marked disadvantage because they export mainly primary commodities and import finished goods from the core. Whereas demand for finished goods increases with rising in-

comes, demand for primary products remains relatively constant (for example, wealthy individuals drink only so much coffee or tea, regardless of their incomes). Furthermore, the industrial states can often develop substitute or synthetic products if Third World countries attempt to charge higher prices for their raw materials.

According to Prebisch and his followers, Third World countries could develop only through government involvement to promote industrialization and decrease dependence on trade with the advanced industrial states. Thus, they advised Third World states to follow ISI policies to protect their infant industries, imposing tariff and nontariff barriers and emphasizing domestic production of manufactures to satisfy demand previously met by imports.²⁵ A number of LDCs, especially in Latin America, were influenced by Prebisch's structuralist views, and they adopted ISI policies in the 1950s and 1960s. By the 1960s, however, there was growing disillusionment with ISI policies, which contributed to a wide range of problems for LDCs, including uncompetitive industries and growing balance-of-payments deficits. (ISI is discussed in more detail in Chapter 11.) Scholars challenged the Prebisch approach from both the right and the left, and many left-leaning scholars turned to dependency theory. Dependency theorists adopted many of Prebisch's ideas, but their views of both the problems and solutions for the Third World were generally more extreme than those of Prebisch. Unlike Prebisch, for example, dependency theorists did not believe the core would ever willingly transfer resources to the periphery. A number of dependency theorists therefore called for a domestic social revolution in Third World countries and/or a severing of contacts with the advanced industrial states.²⁶

The Basic Tenets of Dependency Theory

A discussion of the basic tenets of dependency theory is complicated by the fact that there is considerable variation among writers in this tradition. Two major strains of dependency theory are of particular importance. The first strain, which is closely identified with the work of two Latin Americans—Fernando Henrique Cardoso and Enzo Faletto—took a less doctrinaire and more variegated position to North-South relations. Because Cardoso and Faletto's seminal book, *Dependency and Development in Latin America*, was not available in English translation until a number of years after it was published, much of the early North American "consumption" of dependency theory relied on a second strain.²⁷ The second strain, which drew its inspiration from André Gunder Frank, became influential in the United States at an early stage. This strain took a more radical, doctrinaire position regarding both the impact of dependency on the Third World and the proposed solutions. In efforts to organize the discussion and draw comparisons, the next sections examine dependency views regarding the source of Third World problems, possibilities for development in the periphery, and prescriptions for change. When relevant, we differentiate between the two main strains of dependency theory.

The Source of Third World Problems Dependency theorists reject the views of liberal theorists that Third World economic problems result primarily from inefficient domestic policies and that greater North-South interdependence promotes Third

World development. In contrast, dependency theorists argue that external factors related to the global capitalist economy are primarily responsible for constraining development possibilities in the Third World. Although the core countries in the North benefit from their global capitalist linkages and experience dynamic development based on internal needs, development in the peripheral countries of the South is severely constrained as a result of their interaction with the core. Although dependency theorists attach primary importance to external constraints on development, there has been variation among authors. The Gunder Frank strain placed far more emphasis on the external forces, whereas the Cardoso-Faletto strain was highly sensitive "to local as well as international variations in dependency relations and to the independent significance of internal structures even in an approach that highlights external conditioning."²⁸

Class struggle is one factor that links external and internal forces, and a number of dependency theorists have examined the class linkages between individuals within the peripheral and core states. Thus, they describe the development of a class alignment in the South, where elites in Third World countries (*compradores*) act as intermediaries between the capitalist international order on the one hand and the subjected local peoples on the other. Although this collaborating *comprador* class may have local concerns, it ultimately depends on the international economic order to ensure its survival as a class. Thus, the main political alliances of the *compradores* are with foreign capitalists in the North, and the elites in the South often take actions that reinforce the pattern of Third World dependency.²⁹

LDC Possibilities for Development Dependency theorists have had differing views regarding LDC possibilities for development. Those in the Gunder Frank strain argued that the development of the capitalist economies in the core required the underdevelopment of the periphery. These theorists were highly deterministic: they believed that LDCs could not escape from underdevelopment as long as they maintained linkages with the wealthy capitalist states. Although developed countries may have been underdeveloped in the past, they were not underdeveloped because they were not yet part of the periphery in the global capitalist economy. When these underdeveloped countries became part of the periphery, they became underdeveloped as a result of their involvement with the countries in the capitalist core.³⁰

Theorists in the Cardoso-Faletto strain took a more nuanced approach, arguing that in some cases development was possible in the periphery. This was, however, associated dependent development" in which the links of dependency were maintained.³¹ The Cardoso-Faletto view gained support over time, because theorists who viewed underdevelopment as the only possible fate for peripheral countries found it increasingly difficult to explain why industrialization was occurring in some LDCs. Liberals, realists, and some Marxists all pointed to the fact that the NIEs such as South Korea, Taiwan, Brazil, and Mexico were experiencing impressive economic growth rates. Furthermore, countries such as South Korea and Taiwan had close linkages with the global capitalist structure in the core. A number of dependency studies in the late 1970s and 1980s therefore followed the Cardoso-Faletto example and focused on the issue of "dependent development" rather than "underdevelopment."³² Gunder Frank's

writings evolved, and by the 1980s even he was writing about countries that were undergoing dependent development.³³

Those who write about dependent development are more attuned to the wide variety of local conditions and dependency relations in the Third World. Certain LDCs can undergo development, according to this view, when a particularly favorable alliance forms between foreign capital, domestic capital, and the Third World state. This alliance enables the Third World country to benefit from capital accumulation and from some degree of industrialization. Despite recognizing the diversity of LDC situations, however, these authors maintain that even the more favored LDCs remain fundamentally dependent and cannot attain genuine autonomous development. In the final analysis, those LDCs experiencing dependent development cannot escape from their dependent linkages with the core countries, and their development is therefore conditioned by the requirements of the core. Dependency theorists argue that although the NIEs seem to be examples of success in the Third World, workers in these countries often receive low wages and produce less technologically sophisticated goods than those of the industrial states in the core. The production of capital goods in these countries is also limited, and ultimately they depend on imports of machinery, technology, and foreign investment from the core.³⁴

Prescriptions for Change Dependency theorists believe that LDCs cannot escape from their dependent position in the capitalist system; thus, they often prescribe a breaking of linkages with the core countries and/or a socialist revolution to bring about more social justice and equality. The goals of autonomy and socialism are not necessarily compatible; however, and theorists do not explicitly state which of these two goals is more important for decreasing dependency. Those who emphasize autonomy tend to call for highly nationalistic and antifeoreign actions such as the cutting of linkages with the developed core states. Such actions do not ensure that the other goal of dependency theorists will be achieved, policies that increase a state's autonomy do not ensure that there will be more social justice or equality for the bulk of the population. Nevertheless, dependency theorists at least hope that an end to dependent linkages will lead a country to "emphasize distribution and participation rather than accumulation and exclusion."³⁵

Critiques of Dependency Theory

Dependency theory became a favorite target of criticism in the 1970s and 1980s, and other theories have subsequently become more important in the historical structuralist school of IPE. One major criticism is that dependency theorists do not adequately define their basic concepts. For example, theorists tend to view countries in dichotomous terms as either dependent or not dependent, and it is unclear how one can measure lesser or greater degrees of dependence. There are also different forms of dependence, such as military, economic, and cultural dependence, but these different forms are not usually identified. Furthermore, "developed versus underdeveloped" or "core versus periphery" are extremely broad categories that include a wide range of countries. What does the term *periphery* signify when it includes countries as diverse as

Brazil, India, and Haiti? How does one justify including Portugal along with the United States, Japan, and Germany as a developed country in the core? Critics argue that these concepts are too vague to make the types of distinctions required for good theorizing.³⁶

A second criticism relates to the preoccupation of dependency theorists with capitalism and their failure to consider other forms of exploitation. Some critics argue that the most important factor in dependency is not capitalism (as dependency theorists maintain) but unequal power among states. As long as power is unequal, larger and more powerful states are able to impose dependence on smaller states.³⁷ Thus, some scholars have done studies of the former Soviet bloc to demonstrate that dependency relations can also exist in noncapitalist systems. These studies show some marked differences between the Soviet and Western systems. For example, postwar Soviet dominance contributed to rapid industrialization with an emphasis on heavy industry in Eastern Europe, which was quite different from the Western model in the Third World; and political linkages were more important in the Soviet bloc, whereas economic linkages were central to the West's relations with the South. Despite the differences, however, both the Soviet and the capitalist systems were marked by "asymmetric and unequal linkages between a dominant center and its weaker dependencies."³⁸ Dependency theorists also did not usually examine the role socialist states played in the capitalist world, and since the collapse of the Soviet Union, they have not explored where countries such as North Korea and Cuba fit in a world of core and peripheral countries.³⁹

A third criticism is that dependency theory attaches too much importance to the international system and too little to domestic policies and behavior as a source of LDC development problems. Although the dependency theorists in the Cardoso-Faletto strain do focus on domestic structures in Third World states, they continue to give primacy to the importance of external factors. Dependency theorists therefore have a tendency to portray LDCs as being virtually helpless vis-à-vis outside forces, and they cannot adequately explain why Third World countries sometimes respond in very different ways to similar external constraints. To explain such differences, critics charge, it is necessary to give more consideration to the importance of domestic economic and political factors.⁴⁰ A fourth criticism is that dependency theory's predictions regarding Third World development prospects are often simply incorrect. For example, China was initially held up as a model of agrarian self-reliance, but in 1976 it turned to a policy of openness rather than closure to promote national development. This change in policy contributed to rapid economic growth in China, and LDCs that are the most integrated in the world economy are sometimes the fastest growing countries.

A fifth criticism is that dependency theorists' prescriptions for change are rather vague and ill defined. Although dependency theorists call for socialism as one of their two main goals, they do not clearly indicate what they mean by the term, they do not explain how a socialist revolution will enable countries to escape dependency, and they do not describe how the revolution will occur. Dependency theorists also do not explain how peripheral countries can become more autonomous and "de-link" themselves from the core countries. The vagueness of prescriptions in dependency theory relates partly to the tension between the goals of autonomy and socialism and partly to the fact that Marxist-Leninist predictions regarding a socialist revolution in the advanced industrial states often proved to be inaccurate.

Finally, some of the strongest criticisms of dependency theory come from within the Marxist tradition. The American social scientist Bill Warren, for example, presented updated arguments to support Marx's thesis regarding the potential for Third World development. Although imperialism contributed to exploitation and inequality, Warren argued, it also provided the conditions for capitalist development in the Third World. In the postwar period, the LDCs could use the East-West conflict and the competition among Western industrial states and MNCs to promote their own capitalist national development (on the way to socialism). In contrast to dependency theorists, Warren maintained that the obstacles to this development "originate not in current imperialist-Third World relationships, but almost entirely from the internal contradictions of the Third World itself."⁴¹ Some Marxist scholars also criticize dependency theorists for being overly nationalistic and not sufficiently Marxist. These scholars point to the problem dependency theorists have with focusing on both core-periphery and class divisions. The Marxist critics insist that the most fundamental problem is not *foreign* control or domination, as some dependency theorists maintain, but *private* control and domination of the means of production. Thus, they criticize dependency theorists for putting more emphasis on "relations of exchange" (i.e., between core and peripheral states) than on "relations of production" (i.e., between the proletariat and bourgeoisie).⁴²

The numerous criticisms of dependency theory from both the right and the left have had a telling effect. Unfortunately, the criticisms were often aimed at the most extreme, doctrinaire versions of dependency theory and did not do justice to the less extreme forms in the Cardoso-Faletto strain. Thus, one noted dependency theorist predicted in 1985 that the dependency label would disappear because the term was "too closely associated with simplistic hypotheses of external determination" and "the impossibility of either capitalism or democracy on the periphery."⁴³ Although it is unusual for writers to identify themselves as "dependency theorists" today, development theorists in fact continue to draw on many aspects of dependency theory in their studies of Latin America, Africa, and Asia.⁴⁴ The case for continuing to use some of the basic ideas and concepts of dependency theory is strengthened by the further marginalization of some peripheral Third World countries as globalization pressures increase. Thus, one noted development economist considers it a serious misconception to believe "that the dependency debate is dead forever and that it has no relevance in the modern world. . . . There are indeed many issues and areas of development where dependency plays a major role."⁴⁵ The next section raises questions about the future of the historical structuralist perspective in IPE in view of the breakup of the Soviet bloc and the Soviet Union, and the final sections of the chapter discuss some historical structuralist approaches that seem to be particularly promising.

WHITHER THE HISTORICAL STRUCTURALIST SCHOOL OF IPE?

With the failed predictions of the Marxist-Leninists regarding the downfall of capitalism and the strong criticisms of historical structuralist approaches such as dependency theory, numerous questions were raised about the vitality of the historical structuralist

perspective in general. Since the breakup of the Soviet bloc and the end of the Cold War in the late 1980s and early 1990s, some theorists have launched the harshest criticism of all that the historical structuralist perspective has become irrelevant. For example, one liberal theorist argues that "the implosion of the Soviet Union, and domestic changes in Eastern Europe, have eliminated the significance of the socialist economic model," and another claims that the discrediting of Marxism-Leninism is leading to "an unabashed victory of economic and political liberalism."⁴⁶ Many observers are also referring to the "triumph" of liberalism in the Third World. LDCs in the 1960s and 1970s turned to economic nationalism, state socialism, and trade protectionism; but there has been a marked turnaround in their policies today. For a number of reasons discussed in this book, LDCs since the 1980s have been moving en masse toward liberal policies of reduced state intervention in the economy, increased reliance on the market, and liberalized trade and foreign investment policies.⁴⁷

Despite these negative prognostications about the historical structuralist perspective, it continues to have major relevance today. Most important, historical structuralists devote considerable attention to the poorest and weakest individuals and states and to distributive-justice issues, which are not dealt with adequately by either liberals or realists. Although liberals and realists accept the capitalist system largely as a given, the historical structuralists raise serious questions about inequality and exploitation under capitalism, and they discuss the possibilities of alternative systems. Historical structuralism continues to be an important perspective in IPE, and the following sections discuss three theoretical approaches with linkages to this school of thought that are currently of considerable interest: world-system theory, Gramscian theory, and the business conflict model.

World-System Theory

World-system theory has many similarities with dependency theory, and some former dependency theorists now identify themselves as world-system theorists. Like dependency theorists, world-system theorists view capitalism as basically exploitative, and they openly advocate major changes in global economic relations. Nevertheless, world-system theory is accepted as more relevant than dependency theory today because the world-system approach is more broad ranging and flexible. Instead of limiting their inquiry to the peripheral states as dependency theorists do, world-system theorists (as their name indicates) focus on the entire world system. Indeed, world-system theorists such as Immanuel Wallerstein consistently begin by focusing on the global system and only secondarily move on to analyses of individual countries. This ordering reflects the view of world-system theorists that a country's development prospects depend more on the nature of the global system than on its internal structures.

World-system theorists are concerned not only with the exploitation of states in the periphery but also with relationships among states in the core and with the rise and decline of hegemonic states. World-system theorists also delve more deeply than dependency theorists into the historical development of capitalism in their attempts to explain the core's exploitation of the periphery. Indeed, much world-system analysis extends back to at least the sixteenth century and examines not only world economic structure but also cyclical fluctuations ranging from economic depressions to recessions, upswings, and booms. Finally, as we will discuss, world-system analysts introduce the concept of the semiperiphery, and they question the dependency theorists' view that all Third World states must be permanently relegated to the periphery.⁴⁸

Only a brief discussion of world-system theory is provided here; the student should refer to more detailed sources.⁴⁹ Although the fundamentals of the world-system approach derive largely from the voluminous works of Wallerstein, there are of course other important world-system theorists, such as Christopher Chase-Dunn. Some former dependency theorists such as Samir Amin and Gunder Frank have also incorporated some of Wallerstein's propositions in their analyses.⁵⁰ There are some major differences in view among world-system theorists; the discussion that follows refers primarily to the writings of Wallerstein.

The main unit of analysis in world-system theory is the world-system, which can be defined as "a unit with a single division of labor and multiple cultural systems."⁵¹ World-systems can be of two major types: *world-empires*, which have a common political system, and *world-economies*, which do not have a common political system. Today there is only one world-system, a world-economy that is capitalist in form. This capitalist system became predominant with the emergence of the modern world-economy in Europe during the "long" sixteenth century (1450–1640). The essential feature of a capitalist world-economy is production for sale in a market with the goal of realizing the maximum profit. Capitalism is also characterized by unequal exchange relationships, which strong core states enforce on weak peripheral areas. Thus, Wallerstein argues that "capitalism involves not only appropriation of the surplus value by an owner from a laborer, but an appropriation of surplus of the whole world-economy by core areas."⁵²

World-system theorists take the capitalist world-economy as their main unit of analysis; they do not consider states to be meaningful actors in their own right, apart from their position in the world-economy.⁵³ Thus, long before the breakup of the Soviet Union, Wallerstein always rejected the idea that truly socialist states could exist in a capitalist world-economy:

There are today no socialist systems in the world-economy any more than there are feudal systems because there is *one* world-system. It is a world-economy and it is by definition capitalist in form.⁵⁴

World-system theorists also believe that neither the internal nor the external strength of a state can be viewed separately from its position in the world-economy. Core states are therefore relatively strong states by definition, and peripheral states are relatively weak.

In response to the fact that some Third World states, such as the East Asian and Latin American NIEs, are industrializing, world-system theorists modify the classical dependency argument by asserting that a limited number of countries can ascend to a *semiperiphery*, which is situated somewhere between the periphery and the core. Semiperipheral states have more capital-intensive industry than peripheral states but less than core states, and they are stronger and more autonomous from the core than peripheral states.⁵⁵ Although some states in the semiperiphery seem to be models of economic success, they are in fact simply "the more advanced exemplars of dependent development" because they are still dependent on the core.⁵⁶ It is possible, according

to world-system theorists; for states to ascend from the periphery to the semiperiphery and then from the semiperiphery to the core. It is also possible for some states to descend from the core to the semiperiphery. Nevertheless, world-system theorists are far more pessimistic than liberal theorists about the future prospects for today's Third World countries, and they believe that a country's ascent from the periphery is a relatively rare occurrence. Thus, world-system theorists consider the division of the world economy into the core, periphery, and semiperiphery to be an enduring feature of the capitalist world-economy.⁵⁷

In the world-system view, the existence of the semiperiphery contributes to the stability of the capitalist world-economy and to the continued predominance of the industrial states in the core. The distribution of wealth and power in the capitalist world-economy is highly unequal, and it would be natural for the peripheral countries to directly confront the core countries that acquire most of the benefits. The periphery includes the overwhelming majority of states, and a rebellion against the minority of states within the core would have a good chance of success if the periphery remained united. However, the semiperipheral states divide the majority in the periphery so that the core states are not faced with a unified opposition. Even though the semiperipheral states are disadvantaged by capitalism, they "tend to think of themselves primarily as better off than the lower sector rather than as worse off than the upper sector."⁵⁸ They therefore have a dual role as both exploiter and exploited, effectively dividing the periphery and stabilizing the capitalist world-economy.

The continued expansion of the core combined with some growth of the semiperiphery has contributed to a less polarized and more politically stable capitalist world-economy and to a further weakening of the periphery. Despite this apparent political stability, however, the capitalist world-economy continues to have contradictions that could threaten its long-term survival. World-system theorists therefore raise the prospect of the decline of the capitalist world-economy and its replacement by socialism, but their predictions regarding the timing of these changes are surprisingly vague and long term. For example, Wallerstein asserts that the internal contradictions in the capitalist world-economy should "bring it to an end in the twenty-first or twenty-second century."⁵⁹ Wallerstein believes that socialism could become a new type of world-system, but he is vague about when such a new world-system will develop.

Liberal, realist, and Marxist scholars express numerous criticisms of world-system theory, which in many cases are similar to the critiques of dependency theory. Some classical Marxists charge that world-system theorists (like dependency theorists) place more emphasis on "relations of exchange" among core, semiperipheral, and peripheral states than on "relations of production" between capitalists and workers. Writers from all three schools argue that world-system theorists place too much emphasis on external factors and too little emphasis on internal factors in explaining conditions in the periphery. Indeed, Wallerstein moved even further away from examining individual states, than did dependency theorists such as Gunder Frank. Wallerstein's interest in individual states "is limited to showing how they are incorporated into . . . [the world-economy] and the subsequent effect upon their social, political and economic systems."⁶⁰

Realists are especially critical of world-system theorists for overemphasizing economic relationships and underemphasizing the role of the state. Thus, they accuse Wallerstein of rather simplistically assuming that "strong states" naturally exist in the

core and that "weak states" are found in the periphery. Many authors have provided counterexamples that challenge such statements. First, they argue that some of the strongest states in the sixteenth century (e.g., Spain and Sweden) were in the periphery, whereas the core states of this period, Holland and England, had relatively weak state structures. Second, they note that "late industrializers" have often demonstrated successful development because of strong state leadership. This was true of Russia and Germany in the past, and it is true of the East Asian NIEs (the semiperiphery) today. Finally, some writers argue that the United States, which remains the leading economic and military power today, is a relatively weak state because of its separation of powers and its federal division of powers.⁶¹

Despite the numerous criticisms of world-system theory, it provides us with an important alternative approach to the study of IPE. As historical structuralists, world-system theorists offer a long-term historical view of social, economic, and political change going back to at least the sixteenth century. This contrasts with theorists in the other two IPE perspectives, who either have been ahistorical in their approach or have devoted too little attention to historical change. For example, the views of liberal modernization theorists that Third World countries could and should follow the development path of Western industrial states proved to be misguided, but many liberals still adhere to a (more sophisticated) variation of these views today. Critics understandably argue that liberals underestimate the importance of historical differences between the industrializing countries in the past and the Third World countries today. In view of historical and other changes, Third World countries today may not choose to, or be able to, follow the development path Western industrial countries have taken in the past.

World-system theory also avoids some of the pitfalls of dependency theory by asserting that countries can sometimes ascend from the periphery to the semiperiphery and the core. However, world-system theorists avoid the overoptimism of liberal theorists regarding the prospects for ascent from the periphery. Unlike realists and liberals, world-system theorists focus on the poorest and weakest in the periphery of society and on the exploitation of the periphery by the core. Although world-system theorists may be accused of overestimating the degree to which external exploitation causes Third World problems, realists and liberals err in the opposite direction by largely ignoring the role of external exploitation of the poor and weak in the capitalist world-economy. Even those realists and liberals who are critical of some aspects of capitalism accept it largely as a given.

World-system theorists have proved to be dynamic as a group, able to adjust their theoretical views in response to criticism. This brief description of the world-system approach does not convey the degree to which there is a wide variation of views among world-system theorists or the degree to which world-system theory is evolving.

Gramscian Analysis

Antonio Gramsci, a former leader of the Italian Communist party, drew many of his ideas from Marxism. Gramsci argued, however, that Marxism was overly economicist; that is, it exaggerated the importance of economics relative to political, social, and cultural factors. Thus, classical Marxists were unable to explain crucial aspects of political

and social reality during Gramsci's time, such as the role of Catholicism and the rise of Mussolini in Italy. The domination of capitalism, Gramsci asserted, depends only partly on economic factors such as the private ownership of the means of production. To understand capitalist domination, the student must also be familiar with the political, ideological, and cultural aspects of class struggle. Similarly, we must consider politics and culture as well as economics when discussing the reorganization of society under socialism. Thus, Gramsci placed much more emphasis than classical Marxists on the role of culture, ideas, and institutions in explaining societal organization and change.⁶²

As noted in Chapter 3, the Gramscian view of hegemony is quite different from that of the realists. Unlike the realists, who identify hegemony solely with the predominant power of a nation-state (or a group of core states), Gramscians also view hegemony in terms of class relationships. If the dominant class rules almost exclusively by coercion, this is *not* the Gramscian idea of hegemony. In such societies the overthrow of the dominant class is possible simply by using physical force, because the roots of its power do not penetrate into all aspects of social life. A dominant class has hegemony, by contrast, when it legitimates its power through institutions and makes concessions to encourage subordinate groups to support the existing social structure. Thus, the hegemonic rule of a particular class is based not only on coercion, but, even more important, on social-moral leadership. The ruling class gains the active consent of the subordinate class on the basis of shared values, ideas, and material interests. The bourgeoisie often achieves such a consensus by providing the subordinate classes with a range of concessions, such as social and economic benefits and support for workers' efforts to organize labor unions. In return, the subordinate classes are accepting or even supportive of continued leadership by the bourgeoisie.

Gramscian theorists use the term *historic bloc* to refer to the congruence between state power on the one hand and the prevailing ideas guiding the society and the economy on the other. The historic bloc established under bourgeois hegemony is difficult for subordinate groups to replace because it is supported not only by physical power but also by the power of ideas. Like the classical Marxists, Gramsci was committed to political action as well as theory, and he wrote about the importance of building a *counterhegemony* among subordinate groups. A counterhegemony is an alternative ethical view of society that poses a challenge to the dominant bourgeois-led view. If subordinate groups become sufficiently dissatisfied, a counterhegemony organized around socialist ideas could pose a challenge to the hegemony organized around capitalism. For example, the propensity of governments to decrease socioeconomic benefits to subordinate classes in this age of global competitiveness might eventually cause disadvantaged groups to pose such a counterhegemonic challenge. If the proletariat succeeded in supplanting bourgeois hegemony with their own counterhegemony, they would create a new historic bloc based on socialism.⁶³

Gramsci's analysis was limited primarily to the national level. Writers such as Robert Cox and Stephen Gill have extended his ideas and applied them to international relations. For example, Cox refers to the 1945–65 period as a hegemonic world order under the United States. U.S.-dominated institutions such as the UN Security Council, the IMF, the World Bank, and the GATT helped uphold the system's norms

and values of political and economic liberalism, which legitimized U.S. hegemony and minimized the need for force.⁶⁴ Cox and Gill also argue that in this age of globalized production and exchange, a *transnational historic bloc* may be developing. The main institutions in this bloc are the largest MNCs, international banks, IOs such as the IMF and the World Bank, and international business groups in the most powerful capitalist states. With the development of a transnational bloc, class relations can now be viewed on a global scale. As discussed in Chapter 4, the predominant strand of liberalism in the post–World War II period was interventionist in nature; it drew on Keynesianism and viewed government intervention as necessary to counteract the socially unacceptable aspects of the market. Thus, countries balanced movement toward greater openness in the international economy with measures to cushion the effects on vulnerable groups in society through such measures as welfare and unemployment insurance. According to Gramscian theorists, the developing transnational historic bloc is threatening the interventionist liberal compromise of the postwar period.

A crucial element of the transnational historic bloc today is the power and mobility of transnational capital, which is putting both national labor unions and national business groups on the defensive. As discussed in Chapter 6 on monetary relations, the advanced industrial states imposed controls on capital flows in the 1950s and 1960s, but these controls were gradually removed beginning in the 1970s. The increased ability of transnational capital and MNCs to shift location from one country to another enables them to play off national labor groups—which are relatively immobile—against one another. Those workers who are employed by MNCs in both the core and the periphery also tend to identify their own interests with those of transnational capital, and this attitude divides the working class and further limits its ability to build a counterhegemony. The transnational historic bloc is also posing a threat to the ability of elected governments to make autonomous policy decisions. The recessionary conditions in the 1980s, for example, induced states to engage in “competitive deregulation” of their national **capital markets** in efforts to attract more capital and foreign investment, accelerating the reduction of barriers to capital mobility. Further solidifying this transnational historic bloc is a hegemonic ideology, which portrays capital mobility as contributing to economic efficiency, consumer welfare, and economic growth.⁶⁵

Despite the solid foundations of the transnational historic bloc, there are indications that dissatisfaction with the transnational liberal forces could eventually stimulate a counterhegemonic response. For example, IMF and World Bank structural adjustment loans or SALs (discussed in Chapters 7 and 11), which are linked to pressures for privatization, deregulation, and trade liberalization, are creating resentment in some Third World recipient countries, and there is disillusionment with moves toward a market economy in Eastern European and FSU countries. Gramscian theorists therefore argue that although the forces of transnational capital are currently in the ascendency, this situation may not continue indefinitely.

In discussing a possible reaction to the current transnational historic bloc, Gramscians often refer to *civil society*. Gramsci's analysis of civil society, like his study of hegemony, has long been viewed as one of his most important theoretical contributions. Civil society in his *Prison Notebooks* has different meanings, including both “the realm in which the existing social order is grounded,” and “the realm in which a new

social order can be founded.⁶⁶ In other words, civil society can help to sustain the hegemony of the bourgeoisie, but can also be the source of a counterhegemony. In supporting bourgeois hegemony, civil society is part of a "top-down" process in which the dominant capitalist class gains acquiescence from most of the population. As part of a counterhegemony, civil society is part of a "bottom-up" process in which disadvantaged elements of the population try to displace the hegemonic capitalist order. Gramsci's analysis has considerable relevance for discussions of civil society protests today at meetings of the IMF, World Bank, WTO, and other international groupings. Although the civil society protests have "certainly not attained the status of a counterhegemonic alliance of forces on the world scale," they do demonstrate considerable concern about the effects of orthodox liberalism and globalization on people's lives today.⁶⁷

Gramscian analysis, like world-system theory, has been criticized on a number of grounds. For example, critics charge that Gramscians (like Marxists, dependency theorists, and world-system theorists) are so preoccupied with examining the problems of capitalism and the hegemony of transnational capital that they do not explore the potential problems of dominance and subordination in other possible global systems (e.g., socialism). Gramscians may have avoided some of the pitfalls of classical Marxists, who often made unrealized predictions regarding the downfall of capitalism. However, Gramscians also provide little guidance as to when a counterhegemony might develop and what form it might take. As a result, Gramscians, like world-system theorists, are better at pointing to the problems with the capitalist system than they are at offering solutions.

Despite these criticisms, Gramscian analysis has many important strengths. For example, the Gramscian view of hegemony has advantages over the realist and liberal views. As we discussed, realists and liberals define hegemony in state-centric terms, and they can identify only two or three times when there was a hegemonic state (Britain, the United States, and perhaps the Netherlands). Their ability to examine the effects of hegemony on IPE is therefore limited to only two or three relatively brief historical periods. Gramscian theorists, by contrast, use the term *hegemony* in a cultural sense to denote the complex of *ideas* that social groups use to assert their legitimacy and authority, and they extend the concept of hegemony to include nonstate actors such as MNCs and international banks as well as nation-states. Thus, the Gramscian concept of hegemony is far less restrictive, and we can use it to examine a far wider range of events in the global economy. The Gramscian concept of *counterhegemony* is also useful for examining the diverse range of groups in civil society today that are protesting globalization pressures on behalf of the environment, labor, human rights, women, and other interests. Gramscians ask whether these diverse groups are likely to coalesce sufficiently to form a counterhegemony that would challenge the current hegemonic ideology.⁶⁸

The Business Conflict Model

The business conflict model, like hegemonic stability theory and regime theory, is a hybrid approach that draws on more than one theoretical perspective (in this case, his-

torical structuralism and liberalism).⁶⁹ According to business conflict theorists, business groups—especially large corporations—are the most important societal groups affecting government policymaking, but there are major cleavages within the business community over policy issues. The cleavages include "divisions among corporations of different nationalities, among corporations of the same nationality, and among internationally owned corporations."⁷⁰ These divisions lead to conflicts within and among states with regard to policy, and they have a major impact on government policy processes and output. Business conflict theorists examine conflicts that occur within as well as across state borders, providing another example of the growing trend in IPE toward studying domestic-international interactions.

The business conflict model is discussed with historical structuralism because it emphasizes class (that is, business) as a major factor in foreign policymaking and views business firms as being motivated primarily by profit. Nevertheless, there are significant differences between business conflict theorists and instrumental Marxists, who argue that "the state serves the interests of the capitalist class because it is controlled by this class."⁷¹ Instrumental Marxists simply assume that the capitalist class is united in furthering its interests, whereas business conflict theorists maintain that divisions among capitalists are pervasive. Business conflict theorists are also highly critical of structural Marxists, who believe that the state (though committed to ensuring the long-term survival of capitalism) is relatively autonomous from direct political pressure of the capitalist class. In the view of business conflict theorists, the state does not have relative autonomy from the pressure of business groups, even in the short term.⁷² The business conflict model has some similarity to liberal pluralism. Both are society-centered theories that emphasize the role of interest groups in government policymaking. In the view of pluralists, however, no single interest group or class dominates society and the state. Business conflict theorists, by contrast, believe that "business groups have often been able to shape and direct . . . foreign investment and trade strategy independent of other pressure groups."⁷³

In the view of business conflict theorists, the most significant division in the business community is between internationalist and nationalist business groups.⁷⁴ Nationalist firms are smaller and oriented primarily to the domestic market; internationalist firms are larger, more competitive, and heavily involved with foreign trade and investment. The diverse positions of the nationalist and internationalist firms give them different vested interests in policymaking. For example, nationalist firms often feel threatened by imports and favor trade protectionism, whereas internationalist firms with integrated multinational operations and substantial dependence on exports resist protectionism and favor open international markets.⁷⁵

In pressuring for more open foreign trade and investment policies, internationalist business firms usually benefit from a close working relationship with the executive branch in the United States. Business internationalists also form organizations to influence and work with U.S. foreign policy officials, who are more likely to listen to the internationalists than to other groups. Smaller domestic business groups, which are more

inclined to favor economic closure and protectionism, do not benefit from such connections with the U.S. foreign policy establishment. As a result, business nationalists often concentrate their efforts on influencing congressional committees that affect foreign policy outcomes. Although domestic businesses lack the wealth, connections, and expertise of the business internationalists, the diverse membership of Congress permits domestic business to gain influence by targeting individual representatives. Thus, protectionist pressures from domestic business in Congress often collide with business internationalist pressures for liberalization in the executive branch of government.

Even internationalist business groups are sometimes divided among themselves over foreign economic strategies, and this situation can affect their ability to influence policymaking. For example, internationalist firms that depend extensively on labor-intensive production in Third World countries often favor military force to quell leftist insurgencies, and they support military governments that discipline the domestic labor force and ensure that wages are low. Internationalist firms that are less labor intensive, by contrast, are less likely to support military action.⁷⁶ The business conflict model postulates that divisions between business nationalists and internationalists and divisions among internationalists are reflected in foreign policy outcomes. The model is a promising new approach to foreign economic policymaking that draws on both historical structuralism and liberal pluralism.

CONCLUSION

The relative influence of the three major perspectives on IPE as a discipline varies over time. The historical structuralist perspective may have faltered in recent years, but there are a number of promising new theoretical approaches in this school of thought. It is also certainly possible that the historical structuralist perspective could gain more influence in the future. Current pressures to replace postwar interventionist liberalism with a return to liberal orthodoxy is causing considerable dissatisfaction among many "have-nots" in society, providing a stimulus to a possible revival of historical structuralism. Furthermore, although some historical structuralist approaches, such as dependency theory, have been discredited in recent years, many of the concerns of dependency theorists continue to be relevant. Recent advances in world-system, Gramscian, business conflict, and other theories in this school clearly indicate that historical structuralism provides an important alternative perspective to the liberal and realist views.

NOTES

1. The seminal structural realist (or neorealist) study is Kenneth N. Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979). See also Robert O. Keohane, "Theory of World Politics: Structural Realism and Beyond," in Robert O. Keohane, ed., *Neorealism and Its Critics* (New York: Columbia University Press, 1986), pp. 158-203.
2. The term *historical structuralism* emerged in discussions with a colleague, Professor James Busumtvi-Sam, for which I am grateful.

3. Karl Marx and Friedrich Engels, *The Communist Manifesto* (New York: Penguin, 1948), p. 9.
4. For a discussion of the two strands of Marxist writing on the state see V. I. Lenin, *Imperialism: The Highest Stage of Capitalism* (Oxford, UK: Blackwell, 1988), pp. 1-31; and David Held, *Models of Democracy* (Cambridge, MA: Harvard University Press, 1987), pp. 113-121.
5. Karl Marx and Friedrich Engels, *The Communist Manifesto*, p. 29.
6. See V. I. Lenin, *Imperialism: The Highest Stage of Capitalism*, pp. 1-31; and David Held, *Models of Democracy* (Cambridge, MA: Harvard University Press, 1987), pp. 113-121.
7. See, for example, Jack Woddis, *An Introduction to Neo-Colonialism* (London: Pluto Press, 1967); and Harry Magdoff, "Imperialism Without Coercion: Studies in the Theory of Imperialism," *Monthly Review*, pp. 144-169.
8. Some authors argue that Marx was not a strict economic determinist. See David McLeish, *Marx*, (7th ed. London: Fontana/Collins, 1988), pp. 1-31; and David Held, *Models of Democracy* (Cambridge, MA: Harvard University Press, 1987), pp. 883-884.
9. Ralph Miliband, *The State in Capitalist Society* (New York: Basic Books, 1979), pp. 32-35.
10. For a discussion of structural Marxism, see Gold, Lo, and Walker, "Radical and Conventional Models of U.S. Foreign Policy," *World Politics* 33-3 (April 1981), pp. 357-360.
11. James H. Mittelman and Mustapha Kamal Pasha, *Out from Under the Sun: Changing Global Structures and the Remaking of the Third World* (New York: Basic Books, 1997), pp. 90-91.
12. Marx's writings on the non-European world are contained in *Marx on Colonialism and Modernization: His Despatches and Correspondence*, ed. by David Held and Mustapha Kamal Pasha (London: Verso, 1997), pp. 90-91.
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