

Dependency avoidance, dependency reversal and economic development: cases from the nineteenth-century periphery

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1 INTRODUCTION

A decade of experimentation with structural adjustment and public sector reform has ended. In the best circumstances, structural adjustment has restored a number of less developed countries (LDCs) to their level of development (or underdevelopment) just after independence. In the worst of circumstances, structural adjustment may have exacerbated the socioeconomic problems of a number of LDCs.

The beginning of what might be called the post-structural adjustment period suggests that a new importance should be given to macroeconomic policy, and to the major decisions taken at the national level by policy makers in Africa, Asia, the Caribbean and Latin America. The importance of macro-economic policy might suggest that policy makers, and those who write about development policy, should look to the history of development, particularly the nineteenth-century history of a number of the smaller, more peripheral states of that time.

This article argues that such a history lesson is useful in giving the policy maker a sense of the limits of choice and of the possibilities, even though limited, of success. An underutilised component of the

dependency literature of the 1970s is the counterdependency literature on dependency avoidance. Although rich in historical example, an analysis of dependency avoidance patterns may have been aborted because of the bandwagon effect of structural adjustment.

A number of smaller countries in the northern tier of more developed states historically have managed to avoid dependency linkages in their relationships with the world's major economic powers in spite of their small size and apparent vulnerability. One writer, for example, has written a book on Denmark as a "developing country" (Anderson 1975). Nineteenth-century small states evolved historically as peripheral to the core metropole Western European powers, but managed to avoid the underdevelopment syndrome which characterises LDC relationships with the international economic system. This article will examine the *dependency avoidance model* in order to determine what it might contribute to an LDC strategy of *dependency reversal*. Dependency reversal refers to strategies projected for LDCs to lessen their dependency on MDCs (more developed countries). Dependency avoidance, on the other hand, refers to the patterns of interaction

between peripheral nineteenth century states and core European powers. This pattern of interaction allowed these small states to avoid the dependency relationship which has plagued LDCs in the twentieth century.

Orton and Modelski (1979: 386) provide us with a working definition of dependency avoidance. To them, dependency avoidance consists of

... explicit measures designed to protect and promote local autonomy as the economy developed from a pre-industrial stage to an industrial and even post-industrial stage. The term "reversal" refers primarily to the dismantling of dependency structures while "avoidance" emphasizes preempting their development. (Orton and Modelski 1979: 386).

The distinction, they argue, is between prevention and cure.

1.1 Some historical examples

There are three types of situations which suggest that dependency avoidance, at least historically, was possible. There are a number of small "settler" countries, such as New Zealand, Australia and Canada which, although geographically separate from Europe, were integrated into the European core with standards of living and economic relationships indistinguishable from Western Europe. Secondly, the Scandinavian countries, although located in the periphery of Europe, were not only able to avoid the semi-developed status of a Portugal or Greece, but in the twentieth century were able to provide their citizenry with the highest standards of living in the world. It is Japan, however, which is of greatest interest in terms of dependency avoidance. As an Asian country, it has had historical relationships with Western Europe and North America which, superficially at

least, were not different from many Asian LDCs. Yet Japan has not only been able to avoid dependency, but in the post-World War II period it has risen to preeminence among the advanced industrialised powers, and now provides a model for the newly industrialising countries (NICs) of East Asia.

An examination of dependency avoidance patterns in small nineteenth-century states will reveal a number of practical decisions similar to those which face LDC policy makers in the late twentieth century. There are *six components of dependency avoidance which were utilised* by a number of small peripheral states in the late nineteenth and early twentieth century. *First*, a promotion of agriculture and related primary production played a forceful role in nineteenth-century developing economies. *Second*, in many of the small, nineteenth-century countries adult literacy, technical education and training, what is now called human resource development, was crucial to the development process. *Third*, non-state actors, such as interest organisations – whether they be trade unions, agricultural cooperatives, or commercial associations – were able to bargain effectively with state officials. *Fourth*, the business sector, as partner in the policy process, was able to intersect with state decision makers to jointly plan and make critical policy choices. *Fifth*, countries which followed a dependency avoidance pattern did so within the context of at least a modicum of political stability. *Finally*, decision makers throughout the development period had to deal with the issue of the extent to which integration or separation from the international system would be most conducive to a successful development strategy.

In the next few pages we will examine three patterns of dependency avoidance, first in a settler country (using Canada as a primary example), secondly in Scandinavia, and finally in Japan. Focus will be on what strategies were used in each of the

three cases, and to what extent the nineteenth-century historical experiences of Canada, Scandinavia and Japan are of relevance to LDCs in the late twentieth century.

2 CANADA AS A SETTLER SOCIETY

Analytically, nineteenth-century states had two possible strategic options. The first possibility was complete integration into the core economic system, possible where there was geographic proximity to and/or cultural integration with one of the core states. The second option was the development of an autonomous relationship with the international economic order.

Canada, in the nineteenth century, "displayed all the characteristics of a country of recent settlement in which Europeans opened up a wilderness with advanced techniques under conditions of competitive individualism untrammelled ... by traditional institutions and inhibitions" (Kemp 1978: 116). As Canada evolved in the nineteenth-century, political and economic elites, in effect, chose complete integration of the country's economy into the core capitalist system, through the country's special relationship with the United States. The choice was not automatic. Throughout the nineteenth century (and into the twentieth) one of the major debates in Canada was to what extent the country should allow the free flow of capital from the United States.

There were a number of components to the Canadian strategy of development in the nineteenth and twentieth century. Throughout Canada's history, there has been a strong emphasis on primary production, first in fur trapping and timber, and later in mineral extraction and agricultural production. With the partial exception of Quebec (where immigration was pre-industrial and agriculture semi-feudal and subsistence), agricultural production was commercial from the beginning, with even the smallest

farmer tied to the world economy. Staple production was, and continues to be, a core component of Canadian economic activity. In the twentieth century, the production of grain – especially wheat in the prairie provinces, has played a crucial role. Green (1970) discusses the implications of Canadian agricultural strategy and how such a strategy is related to dependence avoidance in what he refers to as the "staple thesis". The staple thesis suggests that Canada, and other small developed states, pursued an aggressive trade policy in the nineteenth century in order to market its primary products. This aggressive marketing strategy in turn created a "spillover demand for production directed at the national market, and ultimately (altered) production and resource patterns enough to create a wider range of exports, including manufactured as well as primary goods" (Green 1970: 280). This emphasis on primary production and an aggressive marketing strategy has been critical to the formation of a local internal market strategy within Canada. Although the Canadian economy has diversified in the twentieth century, primary production, particularly agricultural and mineral, continues to play a more important role than in the core metropole states of Europe.

In addition to agricultural policies, a second cluster of dependency avoidance strategies revolve around the role of the state in managing monetary and fiscal policy. Throughout the nineteenth century there was a major emphasis in Canada on a direct government role in the development of economic infrastructure. The Canadian government arranged finance and invested in road development, canal construction (especially the critical St Lawrence river complex) and most importantly, the Canadian national railway system. In a large, sparsely populated country such as Canada, railway construction was the critical element which linked the whole country economically. During the nineteenth century, railway construction was seen as the

lynchpin of an east-west economic strategy and government borrowing from overseas, especially from the City of London, financed the construction of the Canadian railway network (Caves & Holton 1961: 233-238).

Throughout the nineteenth century, Canada carried a permanent deficit in terms of its balance of payments. This high level of government expenditures was an important component of the country's economic history and one which distinguishes it from former British colonies in Africa and Asia. As Kemp (1978: 114) points out "While Canada was absorbing large quantities of British capital to become by 1914, the leading debtor country, the amount of capital invested in India, compared with the size of her population, was more modest". British fiscal policy in its African colonies was even more parsimonious.

The government's fiscal and regulatory policy directly influenced the development of an indigenous entrepreneurial class in Canada. In the late nineteenth century, especially after the passage of the National Policy Tariff of 1879, government strategy focused on import substitution. The 1879 tariff, which is still law in Canada, erected a ring of protection around a number of infant industries, especially in the areas of textiles, hardware goods, and iron and steel manufacture.

Strong protective tariffs were combined with an open door policy in terms of capital. Large capital investment from overseas was encouraged first from Britain and other countries in Europe, and then most importantly from the United States. The effect of Canada's tariff and investment policies was to stimulate tariff jumping, particularly by US companies which wanted access to Canadian markets and primary materials. While this made Canada dependent on European and especially American investment, capital investment was the critical factor in Canada's economic development (Kemp 1978: 115).

Public sector investment in infrastructure opened up new opportunities for Canadians in the private sector. With the development of the railways, Canadian businessmen discovered that money was to be made not by owning and operating the railway, but by building and supplying the state developed system. Thus, throughout the late nineteenth century:

... railway investment financed from abroad and sponsored by government, made possible the accumulation of capital in the hands of the business class. Fortunes were made by contractors, money was invested in supplies for the railways, and more scope was offered for investment in manufacturing industry (Kemp 1978: 120).

The role of domestic, private sector decision-making in the directly productive sectors of agriculture and manufacturing was also critical to Canada's open trade pattern of economic development (Green 1970: 283). As the nineteenth century evolved indigenous Canadian entrepreneurs, increasingly saw themselves as part of the North American region (and a dependent one at that). Throughout the period, the desire to amalgamate with the United States remained strong within the Canadian business community. Interest group articulation was also strong in Canada, particularly in the production and trade sectors. Throughout the nineteenth and into the twentieth century, there existed a high degree of congruity between domestic Canadian private sector interests and national economic policy. Kemp (1978: 131) has commented on this development by observing that in Canada the "business class remains the dominant class ... ; it accepts, by and large, the peculiar relationship established with its powerful southern neighbour while remaining sovereign in its own field".

Ultimately, Canadian economic development is linked with its evolution as a settler

society. In the broadest sense it was this factor that was to determine its pattern of economic development. At least since 1848, and probably before, the overriding assumption in both London and Ottawa was that Canada would be self-governing with its own civil service and political system. Along with Australia, New Zealand, and South Africa (in spite of South Africa's large indigenous population), Canada was a member of the old "white" dominions, with all that implied in terms of linguistic and cultural congruity with England and the European ideology.

It was this framework which structured the country's patterns of investment and its pattern of human resource development. Canada, like the other settler countries, put a great deal of money into education and human resources in order to develop a highly skilled workforce. However, for all of the nineteenth and much of the twentieth century, human resource development meant immigration. With its large land mass and its sparse population, an open immigration policy was critical to Canada's economic development. It was a particular kind of immigrant which was sought, however. The target was the working and lower middle class European immigrant with a work ethic and a cultural, if not linguistic, milieu similar to that which existed in Canada.

According to Edward Muller (1984: 275), dependency theory in the 1960s and 1970s tended to ignore settler societies. For example, Portes (1984: 78) concluded that countries such as Canada or Australia "are profoundly 'dependent' in the sense of penetration of their economies by foreign-owned subsidiaries, and yet exhibit a much higher per capita income, a better distribution of wealth, and more efficient health and educational services than ... 'Third World' countries". Settler societies to use Amin's phrase, are "dependent ... (but) not 'peripheral'" (1982: 194). The success of settler societies such as Canada, however,

suggests that dependency avoidance needs to be factored into dependency reversal theory and where suitable, to be added to the package of strategies available to LDCs.

3 SCANDINAVIA AND THE EUROPEAN PERIPHERY

In the last half of the nineteenth century, the Scandinavian countries were highly rural, poor and evolving out of a feudal economic system that dated back to the middle ages. Economically, they were peripherally linked to and dependent upon the large, core European states. Their poverty meant that they were a major source of emigration to settler societies, primarily the US and Canada, and to a lesser extent Australia. Geographically, Norway, Sweden and Finland were as far away from the European core as Morocco, Tunisia and Turkey, and lacked the geographic continuity with the core that, for example, Mexico, has had with the United States.

All of the Scandinavian countries were late in developing beyond the pre-industrial stage. They were late in urbanising, are still heavily dependent upon agricultural and primary products and still have a strong, small enterprise sector. Industrialisation in all of the Nordic countries was accompanied by a significant reduction in class and economic differences. Denmark, because of its proximity with Europe, was first to develop, followed by Sweden. Norway and Finland (a Nordic but strictly speaking not a Scandinavian country) were last because of their semi-colonial relationships with Denmark and Sweden, and Sweden and Russia, respectively.

Although all four countries have their unique characteristics, some generalisations can be made about their strategies of dependency avoidance in the late nineteenth and early twentieth century. Osterud (1978) dates the beginning of the shift away from pre-industrial patterns about 1850, although somewhat earlier for Denmark.

At the beginning of the nineteenth century, Scandinavia was rural and highly stratified and with a peasant social structure at its base. Agriculture was based on simple cultivation and the family household was the basic unit of production (Anderson 1975: 31–38). In nineteenth-century Finland, close to 80 per cent of the population was working in agriculture. Economic activity was non-commercial, technology was low, and rural dwellers lived largely on the basis of subsistence production. Trade patterns in Scandinavia were similar to those of a peripheral economy: that is, they primarily exported agricultural and primary products such as grain and lumber.

Except in Norway, the feudal relationship in the rural areas remained largely intact and with "social distance rigorously maintained, and deprivation built into the economy, the cultures of aristocrats and villagers differed profoundly" (Anderson 1975: 33). Social distance remained largely unchanged as late as the World War I period.

There were a number of mechanisms of dependency avoidance used by the Scandinavian countries during the period after 1815. All were based on what Orton and Modelski (1979: 387) call "national level" strategies, as opposed to searching for "universalistic prescriptions for systemic changes". The Scandinavian situation suggests that at least in the nineteenth century, national efforts were "relatively successful in formulating and implementing policies of dependency reversal and dependency avoidance" (Orton & Modelski 1979: 387).

Like Canada, the Scandinavian countries relied very heavily on staple products development in the nineteenth century. Throughout much of the century, until United States, Canadian and Australian wheat became more competitive, grain production was the major component of Swedish and Danish exports. For the three northern states, Norway, Sweden and Finland, lumber production was also impor-

tant. After the 1870's the Scandinavian countries shifted over to meat and dairy production as large continental grain producers took over the market (Osterud 1978: 177). Jorberg (1975: 128) has pointed out the "multiplier effect" of export staple products, especially lumber production, noting that in Sweden, the

... export industry ... came to be a driving force in the country's economic growth. The demand from foreign countries for Swedish (primary) products gave exporters and producers opportunities for expansion and enabled them to reduce their production costs. Investment activity influenced other industrial branches, whose production grew as the export industry expanded.

The transformation of the Scandinavian countries, from a largely peasant based subsistence economy to societies with a viable commercial agriculture and agricultural processing as a base, is linked to the increasing influence of the rural peasantry as political actors in the nineteenth century. Osterud (1978: 264) has argued that rural development was linked to the "coordinated class action" of Nordic farmers. As agriculture developed in Scandinavia, "peasant action (became) an agent in (this) dynamic process" (Osterud 1978: 264). Rokkan (1981: 67) also observed that there was a "great surge of peasant mobilization" in all of the Scandinavian countries in the last half of the nineteenth century. Farmers' organisations were able to influence decision-making in a number of public policy areas, including commodity production choices and pricing policy. By the end of the First World War, influential farmer's parties had evolved in all of the Nordic countries.

Scandinavian farmers directed much of their political activity towards a betterment of their status *vis-à-vis* the political system. Beyond this, however, their primary focus

was economic. Farmers were concerned about market expansion and access to capital. Farmers' organisations were particularly important in Denmark where, according to Osterud (1978), they were a major agent of economic change. Interest group activity included major efforts to develop producer's cooperatives (see for example Manniche 1939: 41-73). The unlimited liability which the producer's cooperatives provided did much to transform the nature of Scandinavian agriculture in the period prior to World War I.

Agricultural development was also clearly linked to the fact that farmers themselves were able to generate savings in the latter part of the nineteenth century. Mannich (1939) and Jorberg (1975) have both noted the importance of rural savings banks in Denmark and Sweden respectively. These rural savings banks were a major source of capital during the crucial years of agricultural transformation from grain crops to animal husbandry.

As Scandinavian political systems evolved, strong agricultural interest groups developed with peak associations which participated in the management of the economy (see Picard 1983: 540). In all of the Nordic countries, interest groups are "quasi-public bodies responsible for various administrative tasks and rule-making functions" (Laux 1962: 297). These corporate structures provided agricultural interests with direct access to the policy-making process at the national level, which was critical to the success of Scandinavia's strategy of dependency avoidance. As Krasner (1981: 134) points out,

... the political systems of (the Scandinavian countries) are characterized by dense policy networks which fuse the public and the private sectors. These networks integrate all groups within the society. They facilitate communication and prevent stalemate. The political organization ... has allowed them to

enjoy the economic benefits of full participation in the international economy

Dependency avoidance in Scandinavia was also characterised by a major role for the state in the planning and the management of the economy. In discussing Finland, Orton and Modelski (1979: 388) point out that, "the strategies for successful dependency avoidance ... require the existence of state institutions capable of implementing major economic policies and resisting to a certain degree economic pressures". Thus, a strong state has been a critical factor, particularly where development strategies are linked to the control of key natural resources.

In nineteenth-century Sweden, the state was responsible for basic infrastructure investments, and investments made largely from funds borrowed from foreign countries (Jorberg 1975: 134). The state has played a major role in financial arrangements throughout the Scandinavian countries. Both state-owned and state-managed enterprises have served as mechanisms for economic development. Agricultural development included state support for grain storage and for institutionalised credit for farmers throughout Scandinavia, "the enclosure movement (was) preceded by the direct intervention of the state. Agricultural 'modernization' became a central engagement in public policy" (Osterud 1978: 149).

Agricultural and industrial transformation in Scandinavia occurred within the context of a nineteenth-century intellectual tradition which stressed cultural revival. This intellectual tradition is best represented by the Grundtvigian movement in Denmark, which influenced developments in the other Nordic countries. Grundtvig, a Lutheran priest, argued that educational development was the key to rural transformation. His folk school movement, which spread throughout Scandinavia, stressed the

importance of adult education, and focused on cultural appreciation of what Grundtvig called the "living word" – oral communication as opposed to "book learning" (Boje *et al s a*: 69–86).

Thus, dependency avoidance in Scandinavia included a major effort at human resource development as a mechanism of social and economic change. Throughout Scandinavia, folk high schools became a major mechanism of adult education in the rural areas. In addition, agricultural schools and technical institutes were established throughout the region (Allardt *et al*, 1981: 475–481). According to Bryant & White (1982: 289),

Confronted with a largely illiterate rural population and the need for greater food and export crops, the folk high school movement was a large scale and successful effort to work with rural peoples. The rural folk came to schools and played a role in designing the curriculum and in the teaching. The system was developed to reinforce self-awareness, skill and pride. The result was a profound change in the quality of rural life as well as a dramatic increase in agricultural output in Scandinavia.

Agricultural education was stimulated by the efforts of agricultural organisations and agrarian political parties that had developed after 1850. In Sweden, agricultural development was directly linked to the fact "that teaching and education had been assigned a relatively high status" in Scandinavia (Jorberg 1975: 124).

The impact of human resource development was much more broadly based than agriculture, however. Jorberg (1975) notes the important role that entrepreneurs and entrepreneurialism played in the economic development of Sweden. The late nineteenth century saw the emergence of a well-organised commercial, entrepreneurial class throughout Northern Europe. Technical innovation, for example, in the

changeover from grain production to dairy farming, was particularly important (Manliche 1969: 61–62).

The Scandinavian model of dependency avoidance placed more emphasis on national self-sufficiency, at least as an ideal, than did the Canadian experience, which was based upon integration with the United States. Tariffs were used by Sweden as a mechanism to protect fledgling industries, particularly in the changeover period from grain production to animal husbandry. Throughout Scandinavia, non-tariff mechanisms were also established to protect vital areas of the economy. In Finland, for example, the state has a major responsibility for detailed monitoring of the activities of foreign firms, and legislation regulates transnational corporation activity in the country. Moreover, Finland goes so far as to regulate the number of foreigners working in foreign firms, and these "quotas" are strictly enforced (see Orton & Modelski 1979: 386).

In the twentieth century, however, Norway, Denmark and Sweden have had to redefine their foreign economic policy making. They have become much more liberal in their approach to the international economic system. Their tariffs are generally lower than those of the large states, and they are less protective of declining industries (for example, Danish acquiescence in the decline of its ship building industry). In the post-World War II period, they have become much more open in terms of foreign capital, and are subject to all of the shifts in the international economic system.

The Scandinavian states have tried to cope with the impact of the international economy through what Krasner (1981) calls "domestic-stabilization policies". Such policies try to moderate the effect of industrial decline through innovative restructuring and creative technology, along with somewhat higher tariffs that gradually decline over time. It is this *strategy* of "domestic-stabilization", which has insulated "their

domestic social structures from the disruptive consequences that would ensue from uncontrolled external perturbations" (Krasner 1981: 134).

Without question, the location of the Nordic countries on the European continent has been a factor in their pattern of economic development. Their geographic proximity to, and their cultural similarity with, the core states, especially Germany, have been important factors that eased the pain of agricultural transformation and industrialisation. The geographic proximity of the Nordic countries to each other has also allowed for a strong measure of regional economic cooperation through the institutions of the Nordic Council. As Orton and Modelski (1979) point out, a favourable geographical situation is an important factor in the success of dependency avoidance strategies. However, they also note that the effect of geographical position does change over time, depending upon the nature and structure of the global economic system (1979: 389).

Finally, time is in itself a factor in the process of dependency avoidance. Dependency avoidance strategies in Scandinavia were applied in the mid to late nineteenth century when the international economic system was less integrated than it is today. The time factor is illustrated by the Scandinavian countries' ability to deal with the problem of balance between population growth and national productivity. Emigration from Scandinavia in the nineteenth century, especially from the areas of low productivity in the northern areas of Sweden, Norway and Finland, acted as a safety valve, so that the increase in population was in general no greater than the expansion of production (Jorberg 1975: 101). The very high levels of emigration from Norway and Sweden can be seen in contrast to the relatively low levels of migration from the much more prosperous

Denmark during the same period (1870–1910). This is a safety valve that cannot be adequately replicated in LDCs today.

Patterns of dependency avoidance in settler societies such as Canada, and small European states such as the Scandinavian countries, can tell us much about the historical experience of counter-dependency efforts. In one sense, however, they fail to satisfy the observer, in that they lack the primary characteristic of most LDCs. At base, they are Western societies which have much in common with the core metropole states. For dependency avoidance to be of utility in the package of strategies available to LDC policy makers in the late twentieth and early twenty-first centuries, one needs to examine dependency avoidance in a non-Western setting. It is to this question, and a discussion of Japan, that we now turn.

4 JAPAN: THE ODD COUNTRY OUT

Japan's dramatic rise to the forefront of the world's industrial powers is particularly important to any analysis of dependency avoidance. Japan, as Frances Moulder (1977: 2) points out, "was ... the first 'Third World' nation to become a major industrial power". In the middle of the nineteenth century there was little to suggest that Japan had the potential to achieve industrial status. At that time, it was partially controlled, though never formally colonised, by the Western capitalist nations.

An explanation of Japan's success is critical to an understanding of dependency avoidance. There are two broad interpretations of this success. One view holds that Japan was able to avoid dependency because of the character of the country's relationship with the Western capitalist states. Although Western influence was important, after 1950 Japan was able to maintain a position of relative autonomy

vis-à-vis the international economic order. Moulder (1977: vii–viii) takes this view and argues:

... the paramount influence in the rise of industrial capitalism in Japan was ... (that it) occupied a position of relative autonomy within the nineteenth-century world economy. For a variety of reasons other societies were more strongly incorporated as economic and political satellites of one or more of the Western capitalist powers, which thwarted their ability to industrialize ...

The other view suggests that Japan's ability to avoid dependency relates to unique societal characteristics of the Japanese state that distinguish it from all other non-Western countries. Thus, Japan did not have the internal characteristics of other Asian states, including China, which led Asia into *de facto* or *de jure* colonial relationships with the core. This view proposes that there are particular "factors" that distinguish Japan from other Asian countries, such as the absence of caste, clan, guild or village loyalties that could hinder economic growth and the development of a capitalist class. It also lacked the rigid bureaucratic structures that historically viewed entrepreneurial activities as threatening. Japan's imperial structures (after the Meiji restoration), the adaptability of Japanese political elites, and its culture all enabled it to replicate the Western model of capitalist industrialisation.

This "Japan is unique view" of Asian development would suggest that Japan's economic development patterns cannot be replicated in other parts of Asia. However, patterns of economic development in such newly industrialised states as Taiwan and Korea, and the economic "kittens" such as Thailand, Malaysia and Indonesia, may call this assumption into question.

While the presence or absence of certain social or political characteristics may contribute to a society's ability to avoid

dependency relationships, there is considerable disagreement about what those factors might be. Moulder (1977: 201) argues that a comparison of China and Japan does not account for differences in their relationships with the international economy. Unlike in China, Japanese political elites developed a strategy which provided Japan with "a 'breathing space' within which it could strengthen its government and military apparatuses, (and) develop an industrial capitalist economy ...". Although faced with similar influences to other Asian states, Japan was able to use this breathing space to avoid dependency relationships. The Western, largely American, intrusion into Japan had a major impact upon Japanese political elites. The shock of the US intrusion led Japanese policy-makers to the conclusion that the challenge of the West "could only be met by beating the foreigner at his own game, by adopting the techniques and forms of organization" that had insured Western dominance over the international political economy (Kemp 1978: 147). From the beginning, the Japanese decision to industrialise was linked to the country's movement towards military development and military productivity. Japanese leaders would create a strong independent state in order to avoid falling under foreign political and economic domination.

Japanese economic transformation is a clear example of what Whittaker (1970) would call "dysrhythmic change", the process whereby a society changes or adapts to new circumstances while still retaining significant elements of its traditional social and political conventions. Japanese political elites were very conscious of the strengths of the country's social structures. They were able to use this mode of social organisation, the imperial feudal order and social classes, as mechanisms of economic change (Gusfield 1967: 351–362). As Portes (1984: 86) notes, "Japanese ideology during the Meiji peri-

od furnishes perhaps the best known if not the only example of the use of tradition for development”.

Prior to 1850, Japan's major economic activity was peasant based agriculture. As in Scandinavia, agricultural transformation preceded industrialisation. After the Meiji restoration, Japan's leadership removed feudal constraints on agriculture. The agrarian reforms concentrated on labour-intensive, small-scale and capital saving technologies, which increased productivity and generated surpluses available for industrialisation. This was done in a manner which carefully preserved and developed indigenous skills, and adapted new technological developments to local conditions. The major beneficiaries of agricultural reform were middle-level peasants, landlords and entrepreneurs. The status of poorer peasants probably worsened, at least temporarily (Murdock 1980:189).

Japan also placed a great deal of emphasis on education in the rural areas as agricultural change occurred in the nineteenth century. This rural transformation included a broad-based literacy campaign. Once literacy was wide-spread in the rural areas, focus shifted to agricultural and technical education. According to Bhagwati (1966: 152),

In Japan ... a significant contribution seems to have been made by the many educational facilities available to literate farmers, enabling them to pick up technical knowledge. "Technical supplementary schools" were expanded rapidly in Japan and in these agriculture was frequently stressed.

This emphasis on agricultural education contributed to the Japanese success in adopting mechanised agriculture.

The Japanese state played a major role in the promotion of economic development, both in the nineteenth and twentieth centuries. Three areas of state involvement were critical. First, the Meiji government

formally abolished the feudal structure of agriculture, ensuring that farmers would own the land that they farmed. Second, a decision was made to use state structures to direct the process of agricultural transformation and industrialisation. Industrial policy was developed in concert with Japanese private sector interests (Chambers 1982). Finally, the government selectively opened up its ports to controlled foreign trade. As a result, "the state deliberately set out to modernize Japan by importing the technology of the most advanced countries and adopting it to the country's needs" (Kemp 1978: 155).

During the Meiji period Japan made a major commitment to use capital resources in the promotion of economic change. The Meiji government built factories, used public capital for technological development, and influenced traditional elites (from the warrior or samurai class) to move into the business field. This was done by substituting industrial bonds for pensions. Japanese elites were concerned with a "thoroughgoing industrialisation" which would combine public and private efforts to produce a new tier of economic enterprises organized on the basis of cartels (Montgomery 1974: 45-48).

Thus, political elites in Japan transformed state structures as part of the industrialisation process. "Japan, like other nations that industrialized late, was successful because it had exceptionally strong state structures and political elites that were bent upon industrialization" (Smith 1984: 142-143). On this aspect of Japanese development, Montgomery (1974: 47) has commented that the Japanese government, by,

... speeding up the time scale of the Industrial Revolution ... responded to the opportunities of technology by restructuring itself as well as the economy ... it (became) in all important aspects a modern state in its capacity to use technology.

The Japanese example of dependency avoidance was also characterised by large transfers of public funds to the private sector, with the Japanese state performing the exploration tasks of research and development. A series of public corporations was established to undertake these tasks. These included productive, experimental and infrastructural projects. Moreover, the state collaborated with a private sector which was basically closed to outside investment. Political and economic elites were thus able to create a national political economy relatively isolated from foreign penetration (Chambers 1982).

There was a much greater degree of autonomous economic development in Japan than in the settler states or Scandinavia. The decision to opt for self-sufficiency in Japan was deliberate, and designed to create an industrial structure that would be "quite diversified with practically every type of production represented ..." (Kemp 1978: 158). Although there was some opening for private investment, particularly in the post-World War II period, even the US occupation government encouraged economic self-sufficiency, with the result that foreign capital remained limited and controlled (see Gershenkrón 1961; and Lockwood 1954). This insulation from outside influence lasted well into the twentieth century. As Reginald Green (1970: 284) points out:

Japan ... has only been moving towards the full reopening of its economy over the past decade (since 1960), following its breakthrough into significant exports of sophisticated industrial goods and its arrival as one of the four major leading industrial economies.

Another characteristic of Japanese industrialisation was the policy of labour reserves. Rural dwellers (particularly females) could be brought into factory work during slack agricultural periods, but would continue to subsist primarily on their agricul-

tural activity (Aujac 1984: 49). During the 1930s, the Japanese government declared a policy of wage austerity and abolished the weak labour unions completely. To some extent, Japanese workers continued to be underpaid until well into the twentieth century. A sustained pattern of low urban wages would contribute to the savings that could be applied to capital investment. Wages in Japan, while rising, have remained lower than in all but a few European countries. Such a strategy, however, "can be executed only for as long as capital accumulation remains substantial, and while the labour force accepts lower living standards ..." (Aujac 1984: 51). The time for such a strategy is no doubt running out in Japan.

Japanese success at avoiding dependency, and its spectacular success as an industrial power, suggests a variety of strategies that might prove effective to LDCs with a large enough resource base to consider selective self-sufficiency as a strategy of development. In many ways, it resembles the capitalist strategy posited in the "Brazilian model of development" (Berger 1976: 151-153). The question is, can a Brazil, an India or a Korea achieve in the twentieth century what Japan did in the late nineteenth? It is to this issue that we now turn.

5 IMPLICATIONS FOR LDCS

Strategies of dependency avoidance in Canada, the Scandinavian countries and Japan suggest that the dependency-avoidance model may have implications for lesser-developed states in the late twentieth century. Among other things, the case studies examined here indicate that there is little new in the bag of tricks available to LDCs. Most of the development management strategies used with varying degrees of success in Africa, Asia and Latin America were components of dependency avoidance policies successfully applied in

North America, Northern Europe and Japan in the late nineteenth century. These include an emphasis on agricultural and primary production, cooperative development, human resource development, capital investment and state supported programs of development management and planning. The twentieth century has seen little that is new in the way of national level strategies of economic development.

Development theorists often point to the use of particular strategies of dependency avoidance from Japan or Scandinavia, suggesting that they are transferable to LDCs. Manniche (1969), for example, has argued that the Scandinavian system of cooperatives, and the Danish Folk High School model, could be used in Africa and Asia to promote capital accumulation and human resource development respectively. Bryant and White (1982) have suggested that the folk school model, and the spirit of nationalism, pride and self-awareness which it promulgated, may be a model for rural development in LDCs. This appeal is not limited to Western academics. The Manniche book includes a preface by the late Jawaharlal Nehru and states that "both Nyerere and Nehru were impressed enough with the experiment to try folk schools in their own country" (1969: 289). The appeals to traditional values that played such an important role in Scandinavia and Japan reverberate in statements by numerous leaders in LDCs today.

Beyond particular techniques of dependency reversal and avoidance, the nineteenth century case studies indicate that there are two over-arching approaches to counter-dependency strategies. One approach emphasises accommodation. The state accepts the constraints of the international economic order and integrates its economy with those of the dominant international actors. The Canadian experience reflects this pattern. The other approach suggests a selective withdrawal or insulation from the international economic

order in an attempt to generate autonomous patterns of economic development. Japan in the late nineteenth and twentieth century best illustrates this pattern of autonomous development.

The five case studies that make up the Scandinavian experience are somewhat more ambiguous. Dependency avoidance in Northern Europe includes examples of both integration and self-sufficiency in different economic sectors and over time. While all of the Scandinavian countries ultimately accepted integration into the European economy, it was a selective integration supplemented by strategies of protectionism – either through tariffs, as in nineteenth-century Sweden, or through government regulation, as in twentieth century Finland.

Critical interests involved in economic policy-making may account for the choice between integration and self-sufficiency. The major influence on Canada's evolving strategy of dependency avoidance was an organised business and manufacturing community which wanted integration into the wider North American economic network. In Scandinavia, farmers and peasants, organised in interest associations, made a major contribution to development strategy and the role of the agricultural sector in that process. Interest group organisation, its corporate structure and the strong social fabric linking the Scandinavian countries together may have allowed for more ambiguity, and for some shifting between integration and self-sufficiency. Japan's top-down decision-making process, and its passive rural society and urban work force, allowed for a greater degree of autonomous development than was possible in either Canada or Scandinavia. Internal capital accumulation, through low levels of urban and rural income, was more feasible than would be the case if interest articulation had had a greater impact on resource allocation in the Japanese case.

Cutting across the dependency avoidance experience, however, is one critical question. To what extent is this strategy time bound in the late nineteenth century? All of the case studies examined here are encapsulated in a time period between 1850 and the First World War, when the international economic order may have been more fluid than is the case in the late twentieth century. The sceptic might suggest that the dependency avoidance model is of little use to LDCs today. In the late twentieth century, dependency relationships between the core states and the periphery exist on a global scale, and the parameters of economic choice available to LDC leaders are much more limited. As Orton and Modelski (1979: 293) point out, dependency avoidance strategies were most successful in the late nineteenth century, when the world order had moved into a nationalist phase. In the late twentieth century, national structures have been penetrated by transnational corporations in a way that was not possible during earlier historical periods.

The role of primary and staple products in creating a spill-over demand for production directed at the national market may further illustrate changes in the nature of the international economic order in the past one hundred years. While the spill-over thesis can be applied to developments in the nineteenth century, after 1883 the terms of trade shifted to the disadvantage of the raw-material producing states (Lewis 1963). Beyond this, "the staple thesis ... assumes relatively slow changes which are individually marginal and which take place within a market framework basically dominated by external demand at least over several decades" (Green 1970: 280).

After the turn of the century, the declining terms of trade for primary products enabled the core states to garner a greater degree of monopoly over international commerce, with a resulting decline in free trade. Significant levels of foreign capital, so critical to development in nineteenth-

century Canada and Scandinavia, were not available to LDCs either during or after the colonial period (Green 1970: 280-281). Thus, dependency-avoidance, if linked to national level policy decisions, may no longer be appropriate as a model of economic development, even for a Brazil, a Korea or an Argentina.

Ironically, one of the few LDCs in the twentieth century to have used dependency avoidance techniques successfully has been the Republic of South Africa with its "peculiar" legal and social structures. South Africa's application of dependency-avoidance strategies was of course linked to the country's system of racial segregation or apartheid. The South African government strives for dependency avoidance through a combination of techniques. These combine a strategy of self-sufficiency, for example in the energy and steel areas, with controlled, state managed integration into the international economy in other sectors. The mechanism which allowed the South African government to accumulate domestic savings is its apartheid system which created a labour reserve, not dissimilar to that which existed in nineteenth-century Japan. The labour reserve, by controlling residence patterns, limited migration into the urban areas to a level which could be absorbed by an expanding (or contracting) South African economy. As such, controlled migration, at least in the short run, provides the kind of safety valve which emigration to North America provided in the last century.

The South African example also suggests the limits of dependency avoidance. With the technological development of South Africa, the labour reserves were no longer an effective vehicle for capital accumulation. The withdrawal of investment under the penalty of sanctions has forced South Africa into a partial delinkage from the international economic system which has been disastrous in terms of economic development.

If a national strategy of dependency avoidance is not an option for most LDCs today, perhaps a more fundamental question is whether such a policy was a sufficient condition for development in the nineteenth century. Certainly a state such as Japan was able to use national policy to manoeuvre itself into a more advantageous position *vis-à-vis* the international economic system. However, Japanese dependency avoidance may have been as much related to actions not taken by the core states, as it was to decisions taken internally in Japan. According to Moulder (1977: 200), there was no strong effort by the Western nations to incorporate Japan or its dependencies into their spheres of influence. Evidence from Scandinavia supports this view. As Jorberg (1975: 108) points out, "Swedish industrialization was a reflection of and an adaptation to conditions outside Sweden".

The role of transnational corporations and their ability to penetrate LDCs also suggests that national strategies, if they were appropriate in the nineteenth century, are no longer effective mechanisms of economic development. The role of multinational corporations illustrates the nature of this inefficacy. Although MNCs penetrate both MDC and LDC states, the role play within the two types of states differs significantly. In a Third World country, the multinational corporation may be one of very few, or perhaps the only source of governmental revenue. Many LDCs are mono-economies with little choice but to depend upon external corporations to manage the extraction or production of the primary commodity. Under these circumstances, national strategies of economic development are difficult to implement if an LDC has little or no influence over domestic resources.

The role of the state has been fundamentally changed since the nineteenth century. One hundred years ago, periphery states were able to implement dependency avoidance strategies through the use of state

structures. Historically, strong governmental institutions were crucial to the implementation of development strategies in both Scandinavia and Japan. In the nineteenth century, as Smith notes (Smith 1984: 142), an examination of political organisation in the peripheral states is critical to an understanding of successful modernisation.

LDCs today, however, are not characterised by strong state structures. State structures in the Third World today are often weak and penetrated by foreign governmental and non-governmental organisations. Stephen Krasner puts it this way (1981: 132):

Most central political institutions in the Third World are weak. The state is often treated as but one more compartmentalized unit. Its ability to extract resources from the society is limited ... Economic activity ... often takes place outside of the market (and) cannot be effectively tapped by the government.

Without strong state structures to define choices, national level strategies, whether geared to dependency avoidance or to dependency reversal, are unlikely to be successful.

What the dependency avoidance case studies do give us, however, is a set of practical techniques that are available to policy makers as they make choices about the allocation of resources. There is no new wheel which is about to be invented. The case studies, with all the caveats about their non-replicability, do offer national level alternatives which can be selectively used in LDC sectoral areas.

Ultimately, however, the techniques of dependency avoidance used by Japan, Scandinavia and the settler states in the nineteenth century have become techniques of dependency reversal for LDCs in the twentieth. The distinction is critical. A strategy of selective economic autonomy may have been possible for Japan (through the special, and non-replicable circum-

stances of the Meiji Restoration), and cultural similarity and/or geographic proximity allowed Scandinavia and the settler states to integrate into the metropole. However, it is far more difficult for LDCs today to contemplate reversing a process which has already occurred. Dependency avoidance is not an option available even to the most important LDCs, such as Brazil

and Mexico. However, some of the techniques of dependency reversal, including a strong and politically stable state committed to agricultural development, education, interest articulation, and a partnership with the private sector, may be of utility as LDC policy makers make decisions about the nature of their country's interaction with the international economic system.

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