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By a guest author

By Claudio Katz Caracas

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## Venezuela/Claudio Katz accepts Liberator Award for latest book

Dec. 17 — The following is from a lecture the author, an Argentine Marxist economist and political analyst, gave at the reception for the 12th Liberator Award for Critical Thinking 2019. It was given for his book, “La Teoría de la Dependencia, 50 años después” (“Theory of Dependency, 50 Years Later”). Simón Bolívar is known as the “Liberator.” Translation by Michael Otto.

Thank you very much to all the friends and compañeros who created and who sustain the Liberator Award with such tenacity and effort. Thank you for your work, for your conviction and for your perseverance. This prize only exists because of that will and that determination. And congratulations to the organizers for valuing free thinking and critical conceptions. For prioritizing the research that exposes the roots of injustice and for considering the studies that explain how neoliberalism, imperialism and capitalism operate.



## **Simon Bolivar**

For these reasons I am honored to receive this award, which is a recognition of the social commitment of researchers, those who take the side of the welfare of the great masses of the people. Very few countries and institutions dare to promote awards of this kind. Convening, organizing and awarding this distinction is an act of courage and a challenge to the cultural, media and academic apparatus of the ruling classes.

I also congratulate them for again presenting this award while dealing with gigantic difficulties — at a time of so much political dispute in Latin America. We are going through a decisive moment: Either the right wing with its coup mongers will advance and thereby maintain neoliberal rules and U.S. imperialist domination. Or the opposite pole will be strengthened: that of the masses' progressive and left-wing collective struggle. Either the fascists and their repressive forces will win, or the people who are resisting in the streets on the whole continent will assert their power.

That is why I want to dedicate this award to the brothers and sisters who were murdered in El Alto, Bolivia, to the young people who lost their eyes in Chile and to the demonstrators who were beaten up in Colombia and Haiti. To Marielle Franco from Brazil, to Berta Cáceres from Honduras, to Santiago Maldonado from Argentina [who were murdered by pro-fascist elements]. This award is for them.

## **The effects of neoliberalism**

The book that I am presenting forms part of the great battle of ideas being waged against the ruling groups. With this motivation I was interested in revisiting the Theory of Dependency, which in the 1960s and 1970s was a very original and fruitful school of Latin American thought.

The Marxist Theory of Dependency was developed by Ruy Mauro Marini, Theotonio Dos Santos and Vania Bambirra and reached great prominence in the 1970s. It explained the underdevelopment of Latin America as due to the loss of resources caused by the subordinate international position of our region in the [world economic system]. It especially highlighted the enormous transfers of value overseas that generate commercial, financial and technological dependence.

In recent decades, neoliberalism has dramatically updated those pillars of the Theory of Dependence. In the past, the specialization in raw material exports was a serious problem, but now dependence on “primarización,” [the specialization in the primary, low-level steps in the production of surplus value in the global value chain] is overwhelming. It has consolidated the dominant role of exporting crops to the detriment of supplying the needs of the local population; it has encouraged open-pit mining, multiplied environmental calamities and intensified the extraction of all the various forms of fossil fuels.

The profile of operations centered in agriculture, mining and energy increased Latin America’s vulnerability to international price fluctuations for raw materials. For that reason, in recent years we have again suffered the consequences of the stagnation of the prices for oil, copper and soybeans.

Neoliberalism also contributed to the decline of industry in a region affected by the new geography of globalization and the displacement of factory production to the East. It promoted a “precocious deindustrialization,” which is much worse than the offshoring faced by the main economies of the Western capitalist countries.

In South America, traditional industry is in sharp decline and Brazil’s industrial apparatus has lost the magnitude it had in the 1980s. In Argentina, the surgery was brutally implemented with the massive elimination of jobs. In Central America, what rules is specialization in the primary links of the global value chain. This arrangement eliminates any hope of taking part in the more complex activities of that network.

For these reasons, Latin America occupies a marginal place in the technological revolution. With a manufacturing sector in decline, the region is unable to take part in that digital transformation. The neoliberals are keeping quiet about that adverse situation and even many heterodox thinkers are merely giving generic praise to the new “Knowledge Economy,” forgetting that [the digital] universe requires industries, services and growth. In the face of so many platitudes, the Theory of Dependency reminds us that if we continue to reproduce our dependent peripheral integration [in the world system], we will continue being marginalized by the information revolution.

### **The scourge of debt**

Neoliberalism has also recreated the old nightmare of debt. We had a breather in the past decade due to the rise in prices of raw materials and the resulting influx of dollars. But that respite is over and we again face the scourge of debt, under the oppressive supervision of the [International Monetary Fund] and the investment banks.

[President Mauricio] Macri [2015-19] has left us Argentinians in a virtual state of default while in Ecuador, the Indigenous movement rebelled against the adjustment demanded by the bankers. In Puerto Rico, the debt burden was a determining factor in the great popular mobilization that brought down the governor. In Chile, the drama of the debt is evident in the daily life of all families, who face unpayable loans to finance education, health or retirement.

The crises in Latin America are so acute because of that choking financial combination. The crises are due to the strangulation caused by the external sector, trade imbalances and capital flight. They derive from the great impact of overproduction on raw material prices, which precipitates dramatic situations of inflation or devaluation. In addition, the crises accentuate the decrease in purchasing power and the low income level of the population.

The seriousness of current Latin American dependency is also verified by the terrible deterioration of social indicators. Neoliberalism has multiplied unemployment, labor informality and the pauperization of the middle class, and has torn apart the social fabric of the region. For that reason, massive emigration toward the North is increasing, small agricultural property is deteriorating and criminality is expanding.

This social dismemberment results from the terrible increase in inequality. That's why Chile exploded, demolishing all the myths of the model the capitalists praised to the skies. Now it can be seen that Chile is no paradise of growth; it is an inferno of social inequality.

It is therefore clear that neoliberalism has fostered all the old inequalities that were studied by the Theory of Dependency. That conception enables us to understand the Latin American reality.

### **Exploitation and drainage of value**

In my book I try not only to update, but also to renew a key conception of our cultural history. It jumps into view that the globalized, digital, financialized and precarious

capitalism of our period is very different from its equivalent in the past. And those changes can be studied using two legacies of dependency theory.

There is a tradition that highlights the importance of exploitation in the great changes that have occurred in the system. This tradition describes capitalism's offensive against the workers to weaken unions and demolish workers' victories. It highlights how the transnational corporations take advantage of the great reserves of low-paid and disciplined labor power in the Asian region in order to reinforce the division between formal and informal workers. That approach analyzes how the segmentation of wage labor was generalized and how the compensation of a workforce below the value of its labor power permeated the developed economies.

Another more significant perspective studies the great drain of resources suffered by dependent economies. It investigates how the dependent industrial cycle was intensified, blocking the processes of accumulation, and it contrasts what happened in Latin America with what happened in the Asian region. My work deepens this line of inquiry and explains why, unlike the Asian region, Latin America suffers from acute drainage of the value generated in the region. That disparity explains, for example, the contrasting trajectories of South Korea and Brazil.

The loss of resources is particularly intense in the agro-mining sector due to the use of extractive methods that deteriorate the environment, erode the soil, pollute the water supply, poison the rivers and destroy communities. Those processes of accumulation by dispossession lead, for example, to the burning of the Amazon to cultivate soybeans and expand cattle ranching.

As the enormous profit generated by those activities is transferred overseas, our region is squandering its resources. Latin America never takes advantage of the good times when the prices of raw materials are high. And we invariably suffer during lean periods when export earnings are low.

Globalization has aggravated that disadvantage by modifying the world's industrial structure, which accentuates our dependency. Once again, this reality slaps down the naïve beliefs in a prosperous and freely chosen path to capitalist development, supposedly within the reach of any country at any time.

Latin America's economy was surviving on the old Keynesian model of import substitution and strong domestic markets. But that model has been displaced by a capitalist internationalization, which prioritizes the availability and low cost of the labor force in Asia.

Because of these severe handicaps, the three models of profit management generated within Latin America have faced acute limitations. Neoliberal economic policies — guided by fantasies of comparative advantage and the free circulation of capital — simply accentuated the erosion of that surplus.

Neodevelopmentalists tried to capture part of the profit using models of state regulation. But they formed alliances with agribusiness and high finance, which frustrated the use of that surplus for reindustrialization.

A third and more radical kind of strategy — with greater state control and greater redistribution of income — became a target of hostile concentrated capital. In some cases, governments made serious errors in applying economic policy. In other cases they created jobs, increased consumption and reduced poverty. But they failed to forge the political basis that was needed to sustain the model. I believe that the Theory of Dependency allows us to understand this variety of economic scenarios within the common framework of underdeveloped capitalism.

## **Il-blown imperialism**

Dependency theory has also been very fruitful in complementary fields of the economy. It especially points out to us the geopolitical preeminence of imperialism — mindful of how the great powers dominate by using force. We Latin Americans have suffered many times from such imperialist intervention, which has dramatically intervened in the Middle East or Africa in recent decades.

Of course, besides using force, the capitalist class also maintains its hegemony through other mechanisms, such as ideology, consent, tradition and deception. And the current evaluation of international relations — in terms of unipolarity, bipolarity or multipolarity — is also very pertinent. But imperialism persists as a dominant fact of life, since capitalism could not persist without armies, military bases and cyber wars.

The Theory of Dependency highlights that evidence, as opposed to conventional political thinking, which invariably hides the coercive foundation of North American geopolitical-military preponderance.

The dependency tradition also studied subimperialism [hegemony of an imperialist great power over weaker rivals] to evaluate the oppressive role of certain regional powers. I believe this is an important concept for certain parts of Asia and the Middle East, but it has little significance today in the scenario of Latin America.

Conversely, it is most relevant to observe how U.S. imperialism has strengthened its grip on our region. As the United States lost ground on the world chessboard — after having commanded the first period of globalization — Donald Trump seeks to regain territory with bilateral demands, insults and aggressions of all kinds.

We don't know if he will use the Pentagon and the Marines to reconquer economic primacy. Trump makes many threats without taking equivalent military action, and at times he seems aware of the limits of the empire he commands. So far, he has not achieved any of his objectives against other state powers, and he faces enormous internal opposition from Congress, the judicial system and African Americans.

To deal with that scenario, Trump is very aggressive toward Latin America. He seeks to showcase imperial power in the hemisphere in order to begin the recovery of the preeminence it has lost on a global scale. That is why he increases the presence of the Pentagon, maintains his harassment of Venezuela, resumes the embargo against Cuba and conspires to capture the Bolivian lithium reserves. He also imposed new demands for patents in the renewal of the free trade agreement with Mexico. He recently raised tariffs on Brazilian exports simply because of rumors of a possible free trade agreement between Brazil and China.

I believe that we should ignite all the warning flares when Trump sends out some imperial message, as when he is despising the Caribbean peoples, insulting the Mexicans or building the wall. We have to blow the whistle when he praises the army's intervention against the people of Bolivia, reinforces U.S. bases in Colombia, weighs deployment of the Southern Command or appropriates an affiliate of PDVSA [Venezuela's nationalized oil corporation].

But the most important thing is our response on the ground. And on that plane we have seen how the people of Venezuela have known how to disrupt all the conspiracies. They have shown that it is possible to stop the attacks of imperialism with determination, courage and bravery.

### **The right wing and fascism**

Another area of great current relevance to the Theory of Dependency is the analysis of authoritarian regimes in Latin America. In the 1960s and 1970s, that conception studied the peculiarities of dictatorships and the models of counterinsurgency, evaluating the similarities and differences with fascism.

Using that approach, the theorists exposed the old error of hypotheses that deny the possibility of fascism in the peripheral [nonimperialist] countries. That point of view forgot that Latin America suffered from particular forms of dependent fascism [instead of the classical fascism of Italy and Germany], which reached their apogee in the Cold War and not in the 1930s. These aspects were reflected in Pinochetism and Uribism. At present Bolsonaro embodies many powerful features of that strand, which in my opinion has little immediate viability.

But beyond these assessments, it is clear that the right-wing has erupted once again in Latin America. It leads a conservative restoration that seeks the greatest revenge against the progressive cycle [that began with the election of Chávez in Venezuela in 1998]. It repeats the classic script of all reactionaries, who hate the left-wing and imagine crude continental conspiracies allegedly designed by Cuba or Venezuela.

Unlike those in Europe, Latin American right-wingers do not so much demonize emigration. They masquerade as avengers for justice and resort to punitive demagoguery, promising magic solutions to the plague of crime. They deliver hypocritical speeches about corruption and flood social networks with intrigues and fake news. But they are so servile to neoliberalism that they forget their old nationalist verbiage.

As we've seen in Bolivia, Honduras, Paraguay and Brazil, that right-wing is shamelessly oriented toward coups. It fosters institutional coups and utilizes legal action ["Lawfare"] to outlaw progressive leaders. Furthermore, the right-wing propagates mass media slanders,



which are fabricated by the intelligence services, and it often relies on religious fanaticism to create fears and [takes advantage of differences among the people] to destroy solidarity.

Since this right-wing — which operates through the Organization of American States and the Lima Group — lacks autonomy and simply obeys orders from Washington, the anti-fascist struggle in Latin America is in fact a battle against imperialism. These two faces of the same popular resistance against the enemies of our peoples constitute another enduring message from the theorists of dependency.

### **Theoretical links**

A final observation on the position of the Marxist Theory of Dependence in critical thinking: Let's remember that it was located at the opposite pole of [Brazilian political leader] Fernando Henrique Cardoso's conventional version; this thinker first rejected the contradiction between dependency and development, then postulated development associated with transnational corporations and finally adopted all the dogmas of neoliberalism.

I believe that Marini, Dos Santos and Bamberra always sought to extend their conception beyond Latin America. And that comprehensive view was confirmed in recent applications, such as the use of dependency models to interpret the debt crisis in Greece. Their concept has also been used to explain how the euro is a monetary association, which imposes value transfers from the periphery to the center of Europe.

I think that such a widespread application of the Theory of Dependency is inspired by the writings of the mature Marx, who reevaluated the national struggle while imagining transitions to socialism from communal forms. It is also based on the later analyses of the classical (and post-war) Marxists, who wrote about the mechanisms of the drain of resources and the appropriation of the surplus of the periphery.

It is also necessary to note the harmony with contemporary thinkers, who explained the reasons for the dependence of Asia and Africa. Or the connection with authors who in recent years have theorized the dynamic of accumulation by dispossession and the new imperial logic dictated by mobile global overproduction.

In all those cases we can see how the dependency theory matured always in fruitful conceptual encounters. An important case was the connection with world-system theory — to understand how underdevelopment is recreated with the stratifications imposed by the international division of labor.

This same kind of confluence with endogenous Marxism [of Ecuadorian Agustín Cueva] made it possible to complement the analysis of the external extraction of resources with studies of internal obstructions to development.

In summary: I believe that if we persist in this tradition that enriches theoretical connections, we will be able to overcome the condition of being simple cultivators of dependency theory. And in that way we will be able to mature and correct mistakes collectively, facing the challenges of a political context very different from the one that reigned in the 1970s. This new scenario should lead us to revise our conceptions in the light of the real problems of the popular movement and the left.

### **Profiles and tributes**

I conclude this presentation with a tribute to three recently deceased figures of the Theory of Dependency: Samir Amin, Theotonio Dos Santos and Immanuel Wallerstein. All three shared the profile of the intellectual who aspires to reunify the social sciences, without imposing the primacy of one discipline over another. All three favored an all-around approach and sought different paths to avoid academic confinement.

For these reasons this award is also for them. It is a recognition to the memory and the great work of those who guided the development of the Theory of Dependency. I am sure they would be very happy to notice how their work is read and studied as a weapon of struggle — in the university, in the street and in the militancy joined with the masses.

They aspired to build a future of equality and justice, their goal was a society with neither exploiters nor exploited masses, and we have the responsibility to make that ideal a reality. So again, thank you all very much for coming to this presentation of thinkers, comrades and friends.

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