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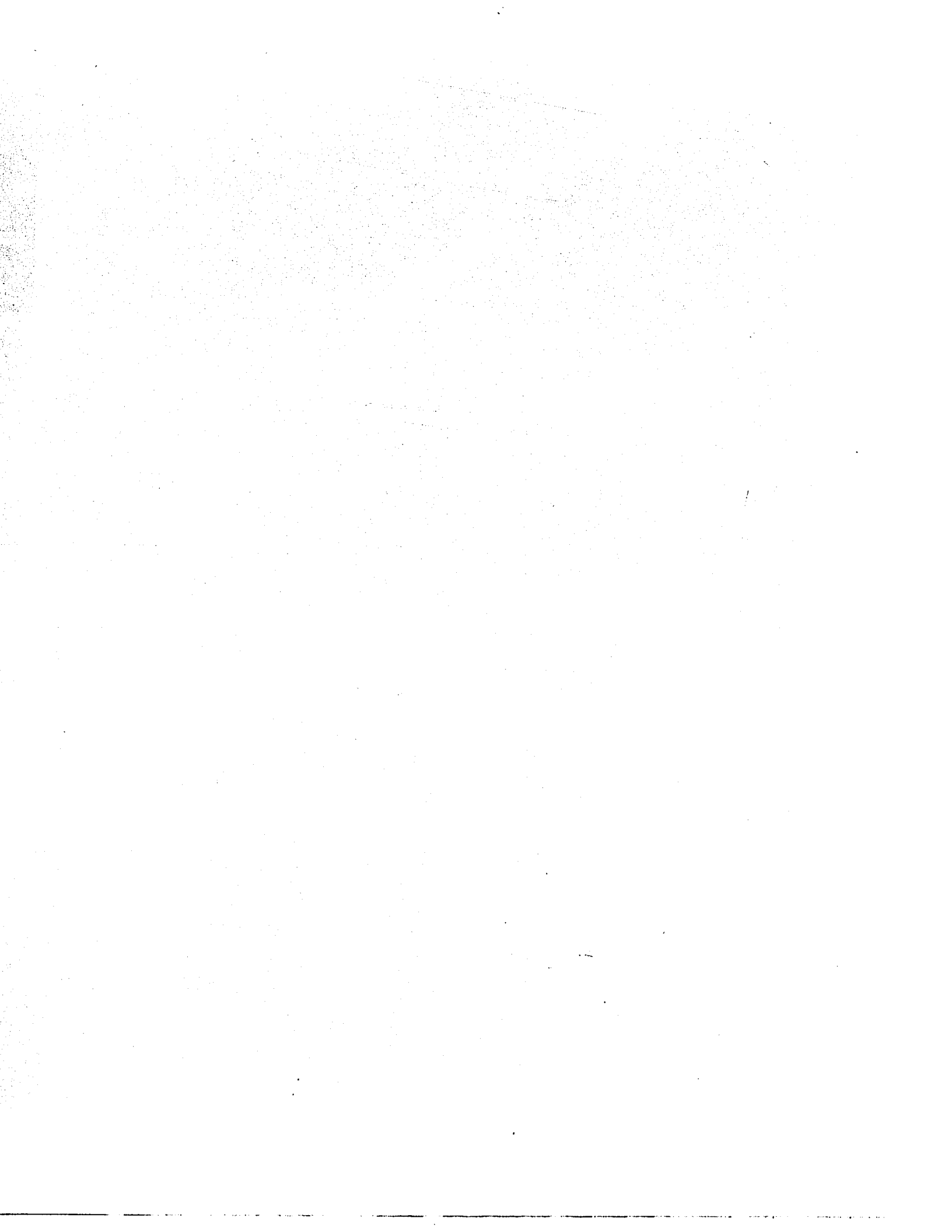
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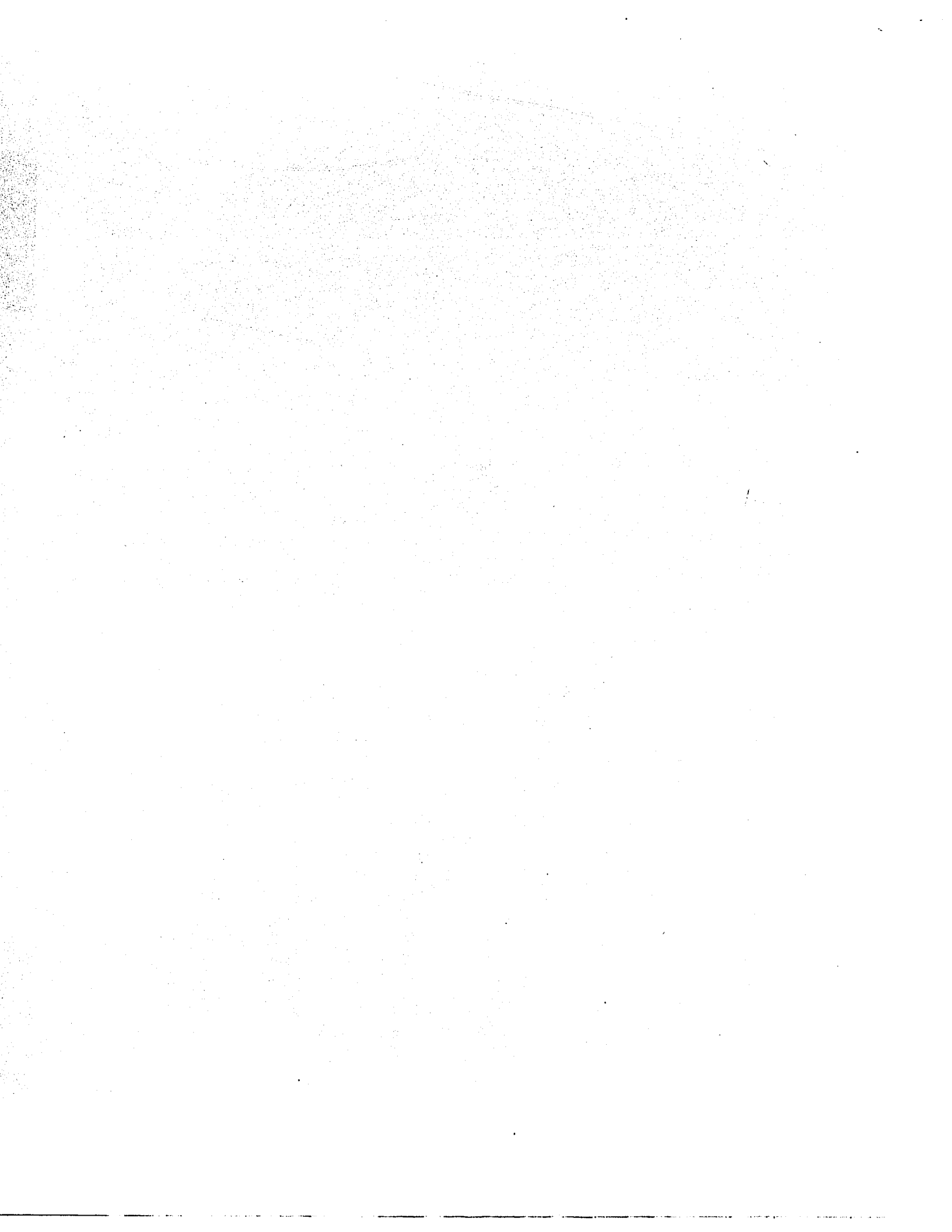
**A structural analysis of political exclusion in the periphery: The
significance of dependency relations**

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The American University, 1990

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A STRUCTURAL ANALYSIS OF POLITICAL EXCLUSION
IN THE PERIPHERY: THE SIGNIFICANCE OF
DEPENDENCY RELATIONS

by

Sunil Kukreja

submitted to the

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in

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To my late mother, Raj K. Kukreja

A STRUCTURAL ANALYSIS OF POLITICAL EXCLUSION
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BY

Sunil Kukreja

ABSTRACT

Dependency/world-system theorists have argued that dependency relations and a disadvantaged status in the world-system tend to exacerbate political exclusion in non-core nations. External dependency relations among non-core nations are perceived as perpetuating disarticulated socio-economic formations and simultaneously strengthening the exclusionary nature of the state.

This research examines the nature and impact of three mechanisms of dependency relations and position in the world-system on political exclusion in peripheral nations. The three mechanisms of dependency examined are transnational penetration, debt dependence, and military dependence. The analysis proceeds by first outlining the dependency/world-system interpretation of the state in the periphery. Second, it presents a descriptive evaluation of the association between each of the three dependency relations and political exclusion. Then, using path

analysis, this research empirically examines the impact of transnational penetration, debt and military dependence on political exclusion. The findings indicate that debt, military dependence, and to a lesser extent, transnational penetration contribute to political exclusion.

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CHAPTER 1

INTRODUCTION

In 1984, Clive Thomas wrote:

One of the many outstanding features of the Third World, one which is of particular concern is the prevalence of repression, political assassination, disappearances, and the other evidence of installed dictatorships (xiii).

The persistence of these features appear to coincide with the lack of institutionalized, democratic political processes, and hence, political exclusion (Thomas 1984, xiii). Dependency/world-system researchers have largely overlooked the impact of dependency relations on the state in non-core nations. This cross-national research is an attempt to examine the significance of dependency relations for political exclusion.

Statement of Research Problem

By drawing from the literature in the dependency/world-system tradition, this dissertation evaluates and empirically examines the influence of three forms of dependency relations on political exclusion. The three features are transnational penetration, debt dependence, and military dependence. To this effect, the study first reviews the dependency/world-system perspective and

explanation of the exclusionary nature of the state in the periphery; and then, using cross-national data, empirically evaluates if, and the extent to which exclusion from participation in the political process is influenced by the three relations of dependency and position in the world-system. It is important to emphasize that this research will not evaluate indigenous factors of specific peripheral nations that may contribute to political exclusion.

Statement of Purpose

Although the burgeoning of the dependency/world-system literature has alerted macrosociologists regarding the shortcomings of the "developmentalist" view on socio-economic and political development in the periphery,¹ cross-national researchers within the former theoretical tradition have largely overlooked or have yet to systematically integrate and empirically investigate research on the nature and dynamics of the state in the periphery.²

Historically, cross-national research in this area may have been dampened by the lack of data. Where such comparative data were available, there were obvious concerns about their reliability. In recent years, this has changed;

¹For a good critique of the developmentalist literature see, Andre G. Frank (1967); Dos Santos (1976); and John G. Taylor (1979).

²There are some exceptions that are noted below.

more comprehensive comparative data on some socio-political phenomena allow for better insights into the problem of political exclusion (see Taylor and Jodice 1983a,b; Gastil 1975-83).

Yet, the continued lack of consideration is surprising for two reasons. First, as Thomas (1984) and other have noted, political exclusion is indeed quite prevalent in a number of areas and regions around the world and has far-reaching social, political and human consequences.³ This in itself is reason enough that consideration be given to this issue. Second, much of the cross-national research in the dependency/world-system tradition has concentrated on the significance of dependency relations and/or world-system position on socio-economic development. The neglect of political exclusion in the periphery is unfortunate particularly since this latter issue is closely linked to the economic considerations of world-system analysis. Theorists in this tradition have consistently perceived the exclusionary nature of the state in the periphery as a crucial unfolding of class relations strongly influenced by the economic and politico-military mechanisms that are characteristic of the international political economy (see discussion below).

³It only takes an extemporaneous reading of Amnesty International's annual report to get a fairly insightful description of the pronounced extent of the dreadful consequences associated with political exclusion. See Amnesty International (1987).

Significance of the Study

There is a need to integrate more adequately both the theoretical and empirical aspects of world-system theory into the study of the state. While the literature in this tradition continues to highlight the significance of the state (cf. Wallerstein 1971, 359-364; Amin 1980), cross-national researchers have largely overlooked the impact of dependency relations on the peripheral state. Of course, the world-system's prominence as a theoretical tradition is relatively recent. Thus the applicability and utility of this paradigm in addressing macrosociological issues still needs to be evaluated and examined.

Political Exclusion: A Working Definition

The lack of participatory political institutions and processes is a widely acknowledged feature of peripheral societies. As Thomas notes, ". . . in the periphery, dictatorial, despotic, and other antipopular measures are the norm of political behavior" (1984, xiii). He continues his appraisal with these words:

The prevalence of these . . . political forms is the direct counterpart of the absence of internal democratic practices and the virtual outlawing, within these countries, of representative political institutions, multiparty political systems, due process and equality before the law, (and) free and fair elections . . . (xiii).

The concern of this research is precisely with the above characterization of the peripheral state. By

political exclusion I mean "the absence of representative political institutions, multiparty political systems and free and fair elections." The use of the term political exclusion is deliberately limited to these features simply because comprehensive cross-national data on these features are widely available. Because the data being employed here are characteristic and reflective of the above noted aspects of peripheral states (see description of data in Chapter 6), the definition is accordingly limited to these features.

Nonetheless, it is recognized that political exclusion not only can but does take various forms. As such it can also be variedly defined. Some scholars (O'Donnell 1973; Thomas 1984; Klare and Arnson 1981) use terminology such as "authoritarianism," "dictatorships," and "repressive" to describe peripheral political systems or states. While these expressions of the state in the periphery may and often do entail the notion of political exclusion as defined above, they imply characteristics that go beyond the above limitations set to the use of the term in this research. As such, instead of using the commonly employed expressions which frequently imply characteristics that are not reflected in the data to be employed for this research, the term political exclusion is used so as to preserve the validity of research.

Extant Cross-National Research

A recent article by Boswell and Dixon (1990) examining the relationship between dependency and rebellion can be cited as one example of cross-national research that relates to the focus of this dissertation. Although the primary emphasis of Boswell and Dixon's research is with the external causes of rebellion in the periphery, their analysis incorporates elements of the association between dependency and regime repressiveness as well. It is this latter dimension of their analysis that partially coincides with the focus of this research between dependency relations and political exclusion since their conceptualization of regime repressiveness parallels what is here defined as political exclusion.

This research also parallels Boswell and Dixon's analysis in one other way. Unlike Williams and Timberlake's (1984) research, theirs empirically evaluates both the effect of transnational penetration and military dependence on regime repressiveness. In this regard, their analysis is a departure from earlier conceptualization of dependency as unidimensional. Instead, they incorporate a political dimension of dependency (i.e., military dependence) in their analysis as well. This simultaneous consideration of both multiple measures of dependency is indeed essential especially considering that there is a theoretical basis for analyzing multiple dimensions of dependency. Like Boswell

and Dixon's analysis, the ensuing research evaluates the significance of transnational penetration and military dependence. However, this research also includes debt dependence as a third dimension of dependence. Furthermore, unlike Boswell and Dixon's analysis, the analysis here provides insight into the interrelationship between transnational penetration, debt and military dependence. This will help to reveal if the different forms of dependency are independent of, or whether they reinforce each other. Bollen's (1983) article is another piece of research that parallels the focus of the study. Bollen examined the impact of world-system position on "political democracy." Using a sample of 100 countries, this research showed that world-system position does influence the level of democracy. Specifically, peripheral status had a relatively larger negative effect on democracy than semi-peripheral status. While Bollen's analysis has been revealing, it does not incorporate the other dependency variables examined here.

Organization of the Research

Chapter 2 presents a theoretical overview of the dependency/world-system perspective and a review of the theoretical literature on the peripheral state. Chapters 3, 4, and 5 provide a descriptive evaluation of transnational penetration, military dependence, and debt dependence

respectively. Chapter 6 outlines some methodological issues, the variables, and data for the empirical analysis. The findings of the empirical analysis are presented in Chapter 7.

CHAPTER 2

THEORETICAL BACKGROUND

The World-System Paradigm

In contrast to earlier approaches to the study of socio-economic and political phenomena, world-system analysis provides an approach where the study of these processes within nations is addressed in a more structured fashion. Nation-states are conceived as parts of and within the context of a larger world-system: thus the world-system paradigm.

A fundamental contention of this sociological perspective is that in order to fully understand quantitative (and for that matter even qualitative) macro phenomena, we must go beyond simply looking at nation-states in isolation. Instead, a country's position, nature and level of integration into the international division of labor and power structure must be considered (Bornschieer and Chase-Dunn 1985, 1).

The world-system as it exists today is characterized by an integrated world-economic structure in which there is a territorial system of production and exchange as well as an extensive division of labor (Wallerstein 1974). As Wallerstein puts it, this modern world-economy is capitalist

in nature — where production is ". . . for sale in the market with the object (being) to realize maximum profit" (1979, 15).

Unlike a world-empire, the contemporary world-economy is comprised of three main zones of politically, militarily, and economically unequal states: the core, semi-periphery, and periphery. This inter-state system is also linked through an extensive territorial division of labor. Daniel Chirot (1977, 13; cf. also Bollen 1983) has differentiated nations within these three zones as follows:

Core nations: economically diversified, rich powerful, and relatively independent of outside control;

Semi-peripheral nations: midway between the core and the periphery, trying to industrialize and diversify their economies; and

Peripheral nations: economically overspecialized, relatively poor and weak, and subject to manipulation or direct control by core powers.

The different forms and mechanisms of interaction (e.g., economic, politico-military) in this inter-state system are instrumental in facilitating the process of capital accumulation. Theorists working within this perspective argue that the peripheral state is a crucial actor in this process of accumulation (see below). In fact, the nature of the peripheral state is highly influenced by the dependency relations that characterize this process.

Although the primary concern is with non-core nations, from the standpoint the world-system paradigm, it is imperative that any examination of the socio-political

character of peripheral nations take into consideration the role of core nations. In fact, it is the interaction between these three zones that influence the social formations in the respective zones. Figure 1 provides a useful conceptualization of the dynamics of the world-system as postulated by Bornschier and Chase-Dunn (1985). By this account domination in the world-system is determined by the ". . . politico-military and economic advantage, and it is this feature of the power system that facilitates the continuing technological dynamism of capitalist development" (1985, 2). As this conceptualization shows, the intermediate levels II through IV form the link between the structure of the world-system at two different points in time (i.e., between level I and I'). The basic assertion of this dynamic conceptualization is that:

The specific position of a country within the power structures of the world-system is associated with structures and processes that affect the internal distribution of power, and the scope of action-space, and, hence, national development" (1985, 11-12).

Drawing from Figure 1, the state in the periphery is not only a central actor in facilitating exchange and IV), but is in the same context, influenced by the relations (as depicted by the relationship between level III mechanisms of domination (i.e., economic, political and military) that characterize the structure of the system (as in level II).

The concern of this research can be put in the context of the conceptualization in Figure 1. The following

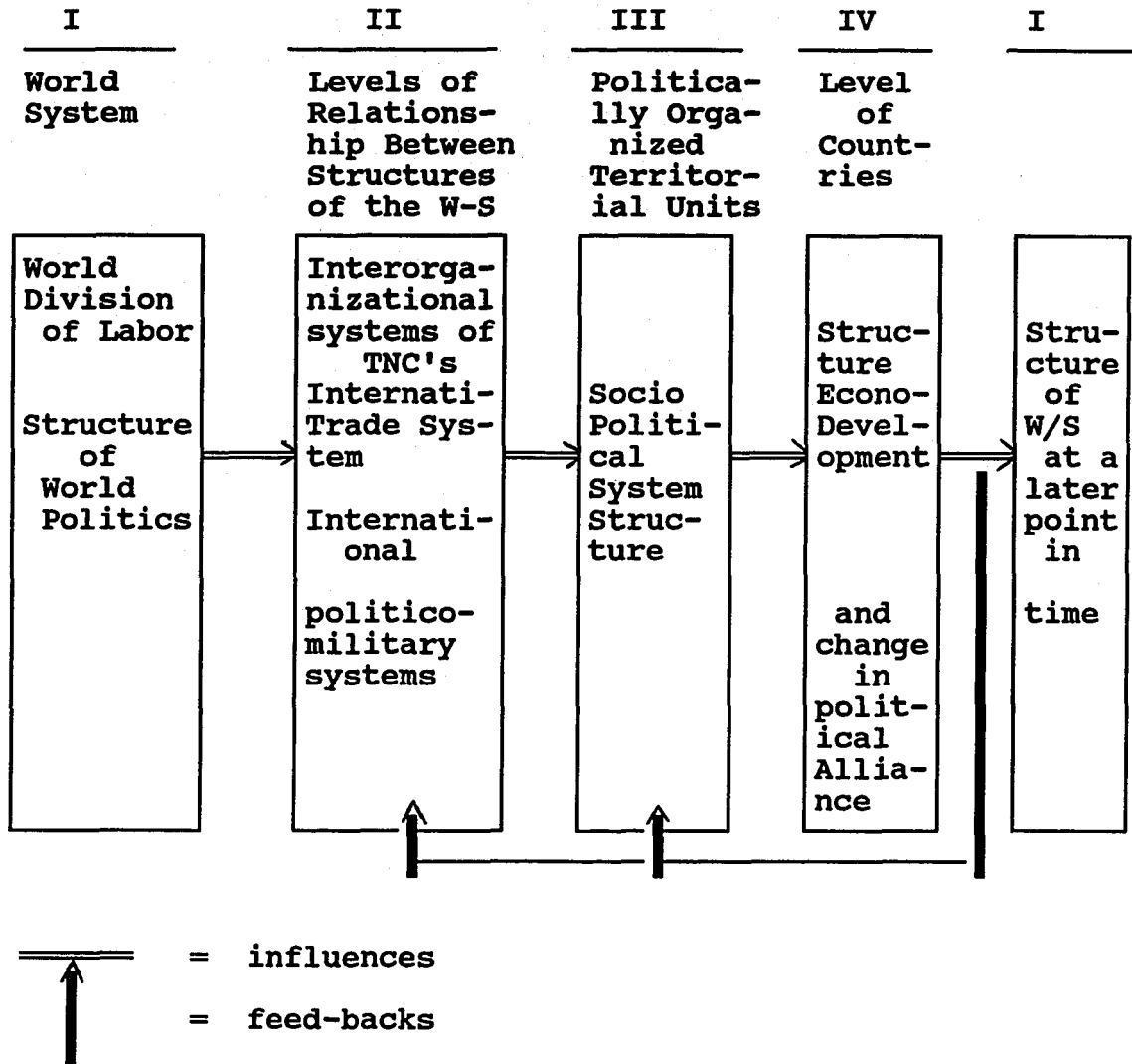


Figure 1. Dynamic Conceptualization of the World-System.
 Source: Bornschier and Chase-Dunn (1985, 11).

chapters will examine the significance of the three mechanisms of domination in the world-system (i.e., transnational corporate penetration, military assistance, and economic assistance) as represented at level II in

influencing the level of political exclusion in the periphery (level III).

It is crucial to note that the conceptualization described above is not deterministic or ahistorical. On the contrary, the modern world-system is an historical social system. The historical stages, and consequently transformations in the zones (i.e., core, semi-periphery and periphery) are patterned by the cyclical rhythms of capitalist expansion and contraction. Therefore, in order to adequately frame the research within the backdrop of this perspective, it is first necessary to describe the cyclical rhythms which are characterized by cycles of expansion and accumulation crises.

Systemic Cycles and Hegemonic Change

The world-system has experienced 'growth' in a host of ways over five centuries of existence. Like all social structures, its contradictions both sustain it and undermine it (Wallerstein 1984, 10).

Although (for reasons of availability and compatibility of data) this research is limited to data between 1965-77, it is nonetheless necessary to elaborate on crucial historical transformations in the world-system. This, in order to ground the current research within both an historical and theoretical framework. The discussion in this section will focus on two fundamental processes that constitute change and the dynamism of the inter-state system: that is, systemic cycles and changing hegemony.

One of the most overlooked aspect of world-system analysis is the importance of systemic cycles.⁴ While the existence of "business cycles" are commonly recognized, systemic cycles are more controversial (Hopkins, Wallerstein, and Associates 1982a, 53). Systemic cycles differ from business cycles in that they are long-term cycles which appear to range from 40-60 years. This long-term "cyclical character" (of capitalism) is perceived to be "constitutive of the world economy" (Hopkins, Wallerstein, and Associates 1982b, 104). The notion of long-waves in capitalist development stems from the work of Kondratieff (1979 [1926]). Kondratieff cycles, as they are commonly known, are a central component of the cyclical socio-economic and political trends of the world-system. These cycles of capitalist expansion and contraction (systemic cycles) appear to correspond with the changing distribution of power and hegemony in the inter-state system.

The concept of hegemony is ubiquitous in the literature but rarely defined. One notable exception is Wallerstein (1984), who refers to hegemony in the capitalist world-system as the:

situation in which the ongoing rivalry between the so-called "great powers" is so unbalanced that one power is truly primus inter pares; that is one power can largely impose its rules and its wishes (at the very least by

⁴Systemic cycles are also commonly referred to as cyclical rhythms. See Terence K. Hopkins, I. Wallerstein and Associates (1982a,b).

effective veto power) in the economic, political, military, diplomatic and even cultural arenas (38).

The prevalence of hegemony is reflected through a "fluid continuum" (39); or as illustrated in Figure 2, the hegemonic cycle. While absolute hegemony does not exist, there have been instances of unicentric hegemony. During periods of unicentric hegemony⁵ (tI) the world-system is dominated by a single core power. The other extreme of the cycle (i.e., tIII) reflects periods of increased and relatively intense competition/conflict among core states. The intermediate stages in this dynamic process are the transitional stages. During stage (tII) for instance, the hegemonic core state begins to decline and competition and conflict between potential successors intensifies. Stage (tIV) - the stage of "ascending hegemony" is also characterized by intense conflict/competition between core rivals which eventually gives rise to "hegemonic victory" represented by stage (tV).⁶

The Kondratieff Cycles appear to correspond with the hegemonic cycles in the world-system (Wallerstein 1984). Assessments of cyclical transformations indicate that there have essentially been three hegemonic powers since the

⁵Hopkins, Wallerstein and Associates (1982, 116) refer to this stage as "hegemonic maturity."

⁶The question of why these hegemonic shifts actually occur is certainly a legitimate one but is not critical to the concerns here. For a discussion of some plausible explanations see Wallerstein (1979); and Chase-Dunn (1978).

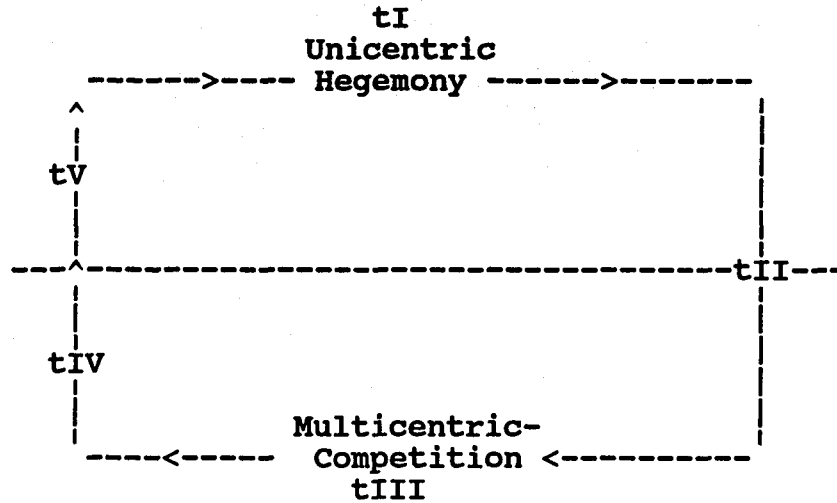


Figure 2. Hegemonic Continuum.

1600s: the Netherlands (during the mid-seventeenth century), Great Britain (mid-nineteenth century) and the United States (mid-twentieth century) (cf. Wallerstein 1984, Ch. 4; Chase-Dunn 1978). This claim is partly supported by trends illustrated in Table 1.

The importance of these unicentric and multicentric (and for that matter, the transitional) periods vis-a-vis the peripheral state is that these historical conditions are opined to reflect differential forms and levels of domination of peripheral states; and consequently the nature of the peripheral state itself. This point is particularly important and relevant to the objectives of this research.

The consensus in the literature (e.g., Bergesen 1976; 1983; Bousquet 1980; Chase-Dunn and Rubinson 1977; Chase-Dunn 1978) is that variation in the distribution of power

Table 1.—Kondratieff Cycles and Hegemony in the World-System

Hegemonic Power:	Netherlands	G. Britain	U.S.
Ascending Hegemony tIV	1575-1590	1798-1815	1897-1913/20
Hegemonic Victory tV	1590-1629	1815-1850	1913/20-1945
Hegemonic Maturity tI	1620-1650	1850-1873	1945-1967
Declining Hegemony tII	1650-1672	1873-1897	1967- ?

Source: Terence Hopkins, I. Wallerstein and Assoc. (1982, 118).

(i.e., unicentric or multicentric formations) directly influences the nature of control on the periphery. Differential forms of control vary from direct political involvement (colonialism being the classic instance), to use of economic instruments on peripheral states (Chase-Dunn and Rubinson 1977, 462-63; Bousquet 1980). These scholars argue that the level of control on the periphery tends to be less direct during periods of unicentric hegemony. Furthermore, the economic structure of the inter-state system (i.e., with reference to exchange, economic aid, trade relations etc.) also tends to be more open. Conversely, during periods of multicentric hegemony — characterized by a more competitive

environment - the level of economic and politico-military controls intensify.

The subsequent chapters will examine if in fact, and the extent to which capital dependence, debt dependence, and militarization influence the exclusionary nature of the peripheral state. This research is limited to data between 1965-77 (see Chapter 6); and hence, they pertain to a specific historical stage. Judging from Hopkins and Wallerstein's description (Table 1), this period is characterized by the (declining?) hegemony of the United States. Hartman and Walters (1985) suggest that the U.S. has been the dominant hegemonic power from 1946-1973. Hartman and Walters' demarcation of United States hegemony is not necessarily inconsistent with that noted in Table 1. That is to say, while the transitional phase in U.S. hegemony in Table 1 is noted from 1967, it does not imply that the U.S. has been replaced as the preeminent hegemonic power in the world-economy. Based on the hegemonic continuum described in Figure 2, this period can be viewed as reflected by declining United States hegemony (i.e., an early transitional stage [tII]).

In sum, the peripheral state is perceived to function within this cyclical dynamic and is consequently influenced by such structural changes. The peripheral state is however, not completely passive or valetudinary. This is evident by its ubiquitous presence in economic, and social/

civic activity in peripheral society – critical to fueling the accumulation process. This has led it to be popularly characterized as the over-developed state (relative to other features of peripheral society). One reason specific to peripheral formations contributing to this presence of the state is the relatively underdeveloped nature of other aspects of social formations; not the least of which being social classes.

Social Classes in the Periphery

According to some world-system theorists (e.g., Chase-Dunn and Rubinson 1977), just as economic development cannot be understood without framing the process within the context of "the main internal contradiction that characterize its modes of production as part of the development of world production," (Carnoy 1979, 184-185) concomitantly, the nature of the state in the periphery also cannot be grasped without realizing its role in the inter-state system of the world-economy.

In order to grasp the essence of the peripheral state and its relationship to the internal social formations as well as its relationship with core states, a brief overview of the class structure in the periphery may be appropriate.

Just as the state in the periphery is relatively weak compared with the state in the core, the class structure is also weaker – that is, weaker relative to the class

structure in the core. Thomas (1984) has accurately noted that classes in the periphery "are in an early phase of formation and are impeded from further development by economic and other structural features - than in the capitalist center countries" (56). Notwithstanding the unique origins, peripheral class formation has, on a global level, developed along the dictates of capitalism (Amin 1976, 333). Amin succinctly locates peripheral social formations within the framework of four primary features: (1) the prevalence of agrarian capitalism; (2) local bourgeoisie amidst foreign capital; (3) proletarianization; and (4) bureaucratization (1976, 333). The discussion here will deal with the composition and proletarianization of the working class and the local bourgeoisie.

Beginning with the working class, we find that historically, it has been, and continues to be fragmented and proletarianized. It is most conspicuous in four main sectors: the extractive, large plantation sector (agrarian capitalism), the import-substitution, and the service sector. But most importantly, the service sector is increasingly becoming the dominant category (Thomas 1984, 56; Portes and Walton 1981). Timberlake and Lunday (1985) have shown that a disproportionately large segment of the working class is increasingly being concentrated in the emerging service sector. This trend is being facilitated by the "uneven growth" of urban areas. This uneven growth in

turn, is amplified by the lack of an integrated industrial base crucial to effectively absorbing a growing and ubiquitous pool of labor. Consequently, this trend has been an impetus to the growth of the informal service sector (Timberlake and Lunday 1985; London and Smith 1988).

Complicating this configuration is an added dimension of the working class represented by the burgeoning state employed strata and unlike other segments of the working class, it constitutes a relatively stable (economic) stratum. This tendency is directly related to the process of bureaucratization and the growing prominence of the state (see below). Thomas (1984, 57), for example, refers to this component of the working class as the "lower level salariat" of the state (e.g., clerical workers, dispatchers and other service workers). He especially attributes this development to the global economic crisis of the mid-1970s which especially dampened the prospects in the periphery. The expanding role and size of the peripheral state is, in his assessment, attributable to the need to mediate economic crisis by absorbing a substantial portion of the functional component of this class.⁷ In itself, however, his explanation is inadequate. Amin (1976) is more accurate on this point when he notes that this trend has persisted since

⁷A corollary to this has been the consolidation of the rentier state in parts of the periphery - specifically, in much of the Arab World. For a detailed discussion of this development see (Beblawi 1987).

Table 2.—Percent of Labor Force Unionized (Circa 1970)

Core: N=14		Semi-periphery: N=16		Periphery: N=22	
Austria	58	Argentina	28	Dom. Republic	12
Australia	96	India	05	Bangladesh	03
Belgium	70	Malaysia	10	Tunisia	19
Canada	30	Peru	24	Malawi	04
Denmark	65	Taiwan	17	Sierra Leone	07
France	20	Ireland	57	Indonesia	05
Norway	60	Venezuela	27	Senegal	10
Netherlands	40	Uruguay	05	Thailand	01
U. Kingdom	40	Kenya	07	Panama	13
West Germany	34	Jordan	10	El Salvador	08
Japan	21	Pakistan	04	Guatemala	10
Italy	33	Philippines	12	Costa Rica	15
Sweden	80	Finland	80	Nepal	02
Switzerland	30	S. Africa	10	Ecuador	15
		S. Korea	07	Mexico	35
		Sri Lanka	34	Morocco	14
Mean =	48.3			Kuwait	05
		Mean =	20.4	Ivory Coast	20
				Paraguay	02
				Niger	02
				Brunei	03
				Tanzania	04
				Mean =	9.68

Compiled from data by U.S. Dept. of Labor (n.d.)

these states became independent.⁸ However, during periods of economic contraction and accumulation crisis the role of the state becomes more prominent. It is nevertheless evident that the presence of the state has progressively grown.

⁸Interestingly, while Taylor (1979, 250-52) also acknowledges that the global economic crisis in the 1970s did contribute to increased employment in the state sector, he appears to agree with Amin (1976) that the trend has persisted since independence.

As a whole the fragmentary character of labor appears to correspond with low levels of cohesion and organization. One reflection of this phenomena is the relatively low level of unionization among workers in the periphery (see Table 2).⁹ This variation in the percent of unionization in the labor force is but one reflection of the coerced nature of labor in the periphery; hence an epithet of the capitalist world-system.

The lack of cohesion and organization of the working class in the economic sphere is both a symptom and consequence of a disadvantaged political position vis-a-vis both the propertied class and the state itself. Thus, this situation not only provides greater autonomy to the state but also paves the way for the consolidation of dominant class interests at the economic and political level.

The propertied class, on the other hand, is also far from being unified. On the contrary, it is also (relative to the bourgeoisie in the core) fragmented. The propertied class is largely composed of the traditional landed oligarchy and the emerging industrial (and petty) bourgeoisie. It is the continued existence of the landed oligarchy and the emergent bourgeoisie that complicates the character of the propertied class (Thomas 1984, 58).

⁹The core-periphery classification used here is the one developed by Snyder and Kick (1979).

The landed oligarchy - agrarian capitalism - often coexist with remnants of pre-capitalist forms of surplus extraction (Amin 1976, 334; Thomas 1984, 58). Although remnants of pre-capitalist forms of extraction persist with capitalism, they both have and continue to produce for the global market; and as a result are highly integrated into the capitalist world-economy. The thread that ties these formations and the landed class to the world-economy is the peripheral state. The increasing predominance of capitalist relations in agriculture is evident by the growing segment of landless peasants and migration to urban centers (Amin 1976, 338); hence intensifying the proletarianization process. This transformation is also mediated by the state.

The consolidation of capitalist relations in the periphery is further evident by the emerging bourgeoisie. While the demarcation between the landed oligarchy and the industrial petty bourgeoisie is not always clear (Thomas 1984, 58), the two are distinct. The historical advantage and interests of the landed oligarchy in agriculture are juxtaposed to the interests of the petty bourgeoisie whose interests are increasingly based in the (urban) import-substitution sector. Incidentally, the import-substitution sector is also where foreign capital in the periphery is increasingly prevalent. This peripheral bourgeoisie is "strictly limited by the degree of toleration shown by the dominant (core) capital . . ." (Amin 1976, 341).

Nonetheless, the peripheral bourgeoisie has emerged as the logical beneficiary of the peripheral state's attempt to industrialize in recent decades. This situation has brought about a relationship between the peripheral state, the local and core bourgeoisie that has solidified the state, and the local bourgeoisie (see e.g., Evans 1979).

The Peripheral State

There are two contrasting interpretations on the nature of the peripheral state fostered by contending assessments of the periphery itself. To some extent, these interpretations are characteristic of the debate over the emphasis on 'internal' versus 'external' determinants of the state. These two interpretations also differ on the process and prospects for change in peripheral states in general. The classic dependency approach represented by the early works of Frank reflect an "instrumental" assessment of the peripheral state with particular emphasis on the logic of international capitalist economy. The structural-historical view, on the other hand, argues that the peripheral state is more accurately a product of internal dynamics in peripheral societies.¹⁰

¹⁰This contrast between the dependency and historical-structural view does not imply that the dependency view is ahistorical. In fact, it can be argued that when located within the context of the world-system discussion above, the dependency argument is structural and historically grounded.

Figure 3 provides a schematic breakdown of the contrast between two principal interpretations of the state in peripheral societies. For dependency/world-system theorists the peripheral state has been, and continues to be conditioned by the global accumulation process.¹¹ It is precisely the concrete mechanisms of this accumulation process (e.g., capital and technological dependence etc.), that weakens the peripheral state in relation to foreign capital and core states.

	Dependency	Historical-Structural
State Strength vis-a-vis Core	Weak	Weak
State Strength vis-vis local classes	Strong	Strong
Class Alliances	Emphasis on External Ties	Emphasis on Internal Conflicts & Alliances
Role of State	Instrumental to Accumulation Process	Relatively Autonomous to Local & Foreign Class Domination
Nature of State	Non-democratic-Exclusionary	Non-democratic-Exclusionary

Figure 3. Dependency and Historical-Structural Interpretation of the Peripheral State.

More importantly, and in particular contrast to the historical-structural approach, dependency/world-system

¹¹See Wallerstein (1984, Ch. 8) for a telling historical assessment of the growth of peripheral states.

theorists like Gunder Frank (1979 quoted in Carnoy [1979, 188]; Chase-Dunn and Rubinson 1977; Amin 1980) emphasize that it is the external class alliances (i.e., relations between peripheral and core elites), that "provide the political framework for the reproduction of the system" (Carnoy 1979, 187).¹² To this end, the peripheral state emerges as an instrument (for the international class alliance) in the international division of labor:

The exigencies of . . . the international division of labor, world-wide and in underdeveloped countries themselves, thus become the principal determinants of the role and the form of the state in the Third World . . . (Frank 1979, 1).

The fundamental exigency of the international division of labor in this case being the process of capitalist accumulation. Core states often intervene in the periphery in the name of "national interests" but these interests are in fact a manifestation of this imperative exigency of being a core power. Of course the methods and means of such involvement vary. The post-colonial era is by definition characterized less by direct political control and more so by politico-military and economic linkages.

Historical-structuralists, on the other hand, while acknowledging the dynamics of international capitalism perceive the peripheral state as "located in the specific historical and structural context of the reproduction of the

¹²This point will be examined in greater detail in Chapter 4.

material basis of life in peripheral capitalist societies" (Thomas 1984, 83). Along with Clive Thomas, proponents of this interpretation include Fernando Cardoso and Enzo Faletto who state that:

(A)lthough enduring, social structures can be, and in fact are, continuously transformed by social movements. Consequently, our approach is both structural and historical: it emphasizes not just the structural conditioning of social life, but also the historical transformation of structures by conflict, social movements, and class struggles. Thus our methodology is historical-structural (1979, x).

This description properly captures the emphasis of the historical-structural view. According to this view, the state becomes the arena where class conflicts are played out. As such, in order to fully comprehend the peripheral state, the contextual dynamics of peripheral societies - specific class alliances, contradictions, and the unfolding of indigenous class conflict - at specific historical junctures need to be evaluated. State formation and domination is produced and reproduced by these internal processes.

This argument reflects a departure from the argument of, among others, Frank and Chase-Dunn. Carnoy (1979, 193) accurately notes that this view has its origin in Poulantzas's formulation of the capitalist state. Just as Poulantzas (1978) argued that the state is relatively autonomous and plays a mediating role between contradictory class interests rather than being the "instrument" of the bourgeoisie, Cardoso, Faletto, and Thomas, similarly reject

the stance that the peripheral state is a mere instrument of the international bourgeoisie. Where the peripheral state does act in that fashion, it is not because the interests at stake are foreign but because those interests "may coincide with values and interests that (local) groups pretend are their own" (Cardoso and Faletto 1979, xvi). As such, according to historical-structuralists, the role of the peripheral state is primarily directed toward indigenous class conflicts which have their own unique historical roots. The fact that the state may acquire a foreign dimension or orientation is coincidental. The peripheral state, therefore, is conditioned by the dynamics of the world-economy and not determined by it.

One point on which there is general agreement is the relative strength of the state vis-a-vis other social formations. One expression of this presence is characterized by its bureaucratic-authoritarian quality. Amin (1976, 345; cf. also Thomas 1984, 83-86) claims the development of the bureaucratic peripheral state has its origins in the historically dominant status of foreign capital coupled with a weak local bourgeoisie. With independence, the logical successor to the dominant status in much of the periphery was the local political bureaucracy which developed stably while both the rural and urban petty bourgeoisie remained relatively underdeveloped.

Two points pertaining to the development of the bureaucratic state are particularly important. First, the underdeveloped quality of capitalist productive relations has elevated the state's role in the economic structure (Taylor 1979, 250) and undermined the implementation of "bourgeois ideals of legality and equality" (Thomas 1984, 85). Disarticulated peripheral capitalism only serves to dampen the prospects for institutional transformation in the form democratic development. Second, and partly due to its strategic location in the economic realm, the peripheral state apparatus continues to expand both in terms of manpower and its control over resources. This is partly supported by the data presented in Table 3. Although the general trend appears to hold for most regions, this assertion is most striking for the Near East which experienced the largest increase (18.5 percent) in the level of government expenditures between 1967-76.

As is widely known, the bureaucratic state has been commonly associated with Latin America (cf. O'Donnell 1973). However, notwithstanding some features peculiar to Latin America (such as the propensity for the dominance of the military in the bureaucratic state), this description of the state is by no means unique to that region. The bureaucratic state is in fact a common feature in much of the periphery and "tends to become the main social driving force" (Amin 1976, 346) and the combination of the above two

Table 3.—Central Government Expenditures as a Percentage of GNP (1967-76)*

Year	Africa	Near East	L.America	East Asia	South Asia
1967	20.2	35.0	13.2	8.5	26.9
1968	20.6	33.5	12.8	8.7	15.6
1969	20.9	34.3	12.5	8.3	14.3
1970	20.4	38.2	12.5	7.9	14.6
1971	22.5	36.5	11.7	8.6	14.8
1972	23.8	37.2	12.4	9.0	15.8
1973	23.2	37.6	13.0	7.8	13.7
1974	24.2	39.5	13.5	7.8	14.1
1975	32.6	43.0	14.9	8.9	16.7
1976	30.0	53.5	15.6	8.1	17.6

*Data from U.S. Arms Control and Disarmament Agency (1978).

material conditions (i.e., its increased economic function and control of resources) "expands the potential coercive (and exclusive) ability of the state" (Thomas 1984, 85). This process in the development of the state must be located within the context of a disarticulated socio-economic formation whose impetus is the international division of labor.

In sum, although the two interpretations noted provide contrasting appraisals, they nonetheless converge with their depiction of the exclusionary nature of the peripheral state. Whether the peripheral state is determined by the 'exigencies of the international division of labor' or conditioned by it remains, of course, an empirical question. What is crucial is that the character of the peripheral state — including its relative level of exclusiveness — varies according to the status of the world-

economy. That is to say, the peripheral state must be understood and thus located within the dynamics of systemic cycles of the world-system.

The level of influence emanating from the core to the periphery tends to be less direct during periods of unicentric hegemony. Furthermore, the structure and relations of the inter-state system (i.e., with reference to economic exchange, economic aid, military relations etc.) also tends to be more open. But during periods of multicentric hegemony and hence a more competitive inter-state environment, the level of economic and politico-military controls intensifies. Consistent with this reasoning, the extent of political exclusion is also thus expected to vary along these lines. That is, the level of political exclusion is relatively more intensive during periods of multicentric hegemony when competition in the world-system (particularly among core states) intensifies and less intensive during periods of unicentric hegemony. The latter instance is also encouraged by the prevailing core power which enjoys a competitive advantage and thus tends to be an advocate of free trade (Chase-Dunn and Rubinson 1977, 463; Bergesen 1983, 79-81) and a more open political (less exclusionary) environment conducive to perpetuating this competitive advantage in the world-economy.

As the data to be examined in the following chapters are from circa 1965-1975, and while the post 1965 period is perceived to be at least the beginning of a transitional phase in the world-system but still largely dominated by the United States, it would also mean that the core-periphery control relations would be less direct. Nevertheless, it is anticipated that some degree of association prevail between transnational penetration, economic assistance, militarization and political exclusion in the periphery.

Chapters 3, 4, and 5 examine the trends in transnational penetration, militarization, and debt dependence respectively. In addition, their potential impact on political exclusion is also explored. Chapter 6 reviews some methodological issues, the model, sample, variables and data for the empirical analyses presented, and the findings are reported in Chapter 7.

CHAPTER 3
TRANSNATIONAL PENETRATION AND
THE PERIPHERAL STATE

Introduction

The transnational corporation is perhaps the most conspicuous feature of the world-economy. Historically, it was one of the primary mechanism by which the integration of the world-economy was produced through the incorporation of new territories. It remains as the principal mechanism that shapes the structure of the international division of labor.

As described in Chapter 2, it has the effect of being a crucial mediating institution between the different levels of the world-system.

Through this role, transnational corporations facilitate the process of "unequal exchange" and transfer of surplus to the core; thus helping to reinforce the structural hierarchy and core domination of the world-system (cf. Emmanuel 1972). The capacity of transnationals to facilitate this process hinges considerably on their interaction with another crucial actor: the dependent state.

This chapter explores how the interaction between these two actors may be associated with political exclusion

in non-core states. The chapter is divided into two parts. The first reviews the pattern of transnational corporate penetration in non-core regions in the latter part of the 1960s and 1970s. Much of the discussion in this section relies on data available from various publications of the Organization for Economic Co-operation and Development (OECD) and/or the Development Assistance Committee (DAC) which is a working arm of the OECD. The second part focuses on the relationship between transnational corporations and the dependent state.

Pattern of Transnational Penetration

Recipient Characteristics

According to the OECD (1983), "foreign direct investment constitutes a resource flow which is particularly useful for the economic development of developing countries, especially for their industrial development" (7). The primary agent and source of this "resource flow" is the transnational corporation.

Unlike arms transfers, a disproportionate percentage of private direct investments continue to flow among core/DAC member countries. However, since the 1960s there has been a significant growth in the flow of private direct investments to non-core countries. Table 4 summarizes the flow of private direct investments to developing countries between 1960 and 1970. The volume of direct investment

flows is a useful indicator of the pattern of flow because it is sensitive to short-run socio-economic and political conditions. As such, it would not be unusual for direct investment flows to fluctuate as indicated in the table. In comparing the average annual flows between 1960-65 and 1966-70, however, the trend is clearly toward increased flows. This trend began to intensify in the mid-sixties and has since grown steadily.

Table 4.—Total Net Flow of Direct Investments from DAC to Developing Countries (1960-70)

Year: Annual Ave. 1960-65	1966	1967	1968	1969	1970
US\$ bil. 1.83	2.17	2.10	3.04	2.80	3.41

Source: OECD (1971).

Besides this pattern, there has also been a marked change in the accumulated regional distribution of these investments. In 1967 the accumulated stock of direct investment in developing countries was over \$34 billion with Latin America accounting for 52 percent of this total (see Table 5). By 1976 the total stock increased to over \$76 billion with Asia registering the largest net gain between 1967-76. Between 1970-76, South America experienced the largest percentage decline in its share although it retained one-fourth of the total value of private direct investment. Taken together, however, Latin America experienced a decline

of only 2 percent during this period and retained almost half of the total investments in developing regions. While the information is revealing, cautious interpretation of these data are essential because of the varying number of nations in these regions. Nonetheless, the general regional shifts noted provide insight into the movement of private direct investment over this period.

Table 5.—Stock of Private Direct Investment by DAC Countries in Developing Country Regions*

Developing Countries in:	End of 1967		End of 1970		End of 1976	
	\$ bil	Percent	\$ bil	Percent	\$ bil	Percent
Europe	2.0	5.8	2.7	6.2	6.9	9.1
Africa	6.5	19.0	7.9	18.3	9.7	12.7
C. America	4.7	13.7	8.6	19.8	18.5	24.3
S. America	13.2	38.3	13.8	31.7	19.2	25.2
Middle-East	3.1	9.0	3.4	7.8	2.2	2.9
Asia	4.9	14.2	7.0	16.2	19.7	25.8
Total	34.3	100.0	43.4	100.0	76.2	100.0

*Data are from OECD (1971, 1978).

The OECD estimates that by 1978, DAC countries' stock of private direct investment in developing regions amounted to 89.3 billion. In terms of regional comparisons, Africa accounted for 7 percent, Central America 26 percent, South America 31 percent, the Middle-East 1 percent, and Asia 26 percent (OECD 1981, 46). As the percentages for the Middle-East and Africa continue to decline, the other regions have

remained stable (Asia) or increased their share (Central and South America).

The overall growth and intensification of private direct investments is apparent and regional comparisons for the latter part of the 1960s and the 1970s show that Asia and Latin America continue to be significant destinations for such investments. Additionally, the overall expansion of direct investments to these regions continues and by 1983 these regions accounted for approximately one quarter (US\$ 129 billion) of the total stock of direct investment assets of enterprises from DAC countries (OECD 1983, 7; 1987, 64).

Along with inter-regional variations, there are also substantial intra-regional variations worth noting. Among the non-DAC members in Europe, Spain was the main destination for direct investments with 68 percent of the total in 1967 and 1976. Among African nations South Africa made up 39 percent of the total in 1967. Mexico was the main host country in the region accounting for 37 percent of total stock of foreign investment in 1967 but declining to 25 percent by 1976. Brazil led South American countries with 28 percent followed by Venezuela 26 percent in 1967. By 1976, Brazil had increased its share to 47 percent and Venezuela's declined to 15 percent. In the Middle-East, Saudi Arabia was the main recipient with 28 percent of the total in 1967. With 15 percent, the Philippines was the largest recipient in Asia followed closely by Malaysia with

14 percent. By 1976, however, Indonesia increased its share by 21 percent to lead all Asian countries with 26 percent.

With the exception of the Philippines, all the largest regional recipients of private direct investments in 1967 accounted for at least one fourth of the regional total. Another interesting note is that with the exception of Brazil, Mexico, and Indonesia, all these leading recipients are classified as semi-peripheral nations.

Home Country Investment Trends

In discussing the trends of transnational penetration, it is important not to overlook the main countries from which these investments originate. First, this is especially crucial in light of the assertion by dependency/world-system theorists (cf. Chapter 2) concerning the (probable) hegemonic transition occurring in the world-system since the late sixties. As such, the trends may be indicative (but not necessarily determinative) of a possible emerging balance and competitiveness among core nations. Second, (although not directly examined in the empirical analysis in Chapter 7), a review of these trends is also relevant considering the claim that increased competitiveness in the core has the potential for wielding political domination of dependent nations.

In 1967, the United States and France clearly led other DAC countries in direct investment flows to developing

countries with 50 and 17.6 percent of the total respectively (see Table 6). West Germany (8 percent) and the United Kingdom (7.6 percent) were distant third and fourth largest sources of private capital. By 1981 a number of DAC members that were previously less significant sources of private capital had experienced an increase in investments in developing countries with Australia, Canada and Japan being the most prominent. Among the three largest sources of private investments in 1967, West Germany and the United Kingdom also increased their share of the 1981 total with France and the United States both experiencing a decline.

The OECD (1978, 115) reports that during the 1970s, direct investments to developing countries constituted half of the Official Development Assistance (ODA) transfers from DAC countries. Considering the proportion of direct investments in relation to total transfers over this period, the distribution of the origin of these investments is indeed revealing. Foremost, the origin of direct investments over this period reflects an emerging evenness in the distribution; consistent with the proposition in Chapter 2 about increasing competitiveness in the world-economy.

Recall that increased competitiveness (among core nations) is perceived to result in intensified controls over the periphery. Although the cross-national data for penetration analyzed in Chapter 7 are for 1967 (during which

Table 6.—Net Direct Investment Flows From DAC to Developing Countries (\$mil)*

DAC Countries	1967	1969	1971	1973	1975	1977	1979	1981
Australia	24	52	48	104	48	84	68	159
Austria	1	3	-	5	7	18	13	32
Belgium	20	20	29	48	69	70	254	123
Canada	30	71	76	125	293	360	-100	700
Denmark	-	-	25	16	30	-	66	66
Finland	-	-	1	-	3	2	15	17
France	371	268	170	287	274	265	681	1137
Germany	169	233	358	787	816	846	818	1352
Italy	70	125	214	246	150	162	455	132
Japan	66	144	222	1301	223	724	691	2426
Netherlands	58	166	130	89	229	486	167	354
New Zealand	-	-	-	1	1	9	7	15
Norway	2	11	11	14	17	16	8	8
Sweden	26	53	40	22	82	126	127	86
Switzerland	46	48	66	81	208	211	416	340
U.K.	162	354	233+	699+	653+	1179+	1029+	1217+
U.S.	1060	1257	1686	895	7241	4866	7986	6475
Total DAC	2105	2805	3309	4720	10344	9424	12746	14639

+ Excluding investment in the petroleum sector.

* Data are from OECD (1969, 1971, 1983).

time there was not as much competition in this sector as in the late 1970s), transnational penetration is nevertheless

hypothesized to be negatively related to political exclusion.

Transnationals and the State

In developing countries which have opted to use private capital . . . , it is important that they create and maintain conditions under which they can attract increased volumes of foreign private capital . . . , while taking account of the legitimate interests of the capital-providers (OECD 1976, 68).

The creation and maintenance of conditions "under which they (dependent states) can attract increased volumes of foreign capital" is not limited to the financial and economic incentives necessary. The political conditions in these countries are also a critical part of attracting and retaining transnational investments.

The disarticulated socio-economic formations and an overdeveloped state in non-core/dependent nations creates a social and political basis for the state to be intimately involved in economic affairs. In some instances, this involvement in the economy extends into fueling state enterprises. The social basis of the state's involvement is reflected in the need for the state to "mediate" internal class contradictions aggravated by socio-economic disparities. Extant research (cf. Bornschier and Chase-Dunn 1985, Ch. 8) has shown that transnational penetration does increase economic inequality. This body of research provides a valuable insight into a crucial feature that aggravates class contradictions. For example, following

this line of reasoning, growing socio-economic inequality is a catalyst for destabilizing political conditions. This in turn contributes to the state's propensity to exert itself in the economic realm.

The political basis is revealed by its function of having to control and stabilize political conflict that intensifies with economic instability. Thus, the socio-economic conflict - which is potentially explosive and destabilizing - necessitates politically motivated action as well. This is precisely why, for instance, as was noted in Chapter 2, the state apparatuses and resources (e.g., the state bureaucracy, and as argued in Chapter 5, the level of indebtedness) in these nations tend to expand.

The significance of politically controlling the contradictions is made more acute by the fact that the non-core/dependent state - reflecting to a large extent, the character and structure of the economy - tends to be externally oriented. This external orientation is manifest in the alliances that are forged between external capital, local elites and the state (cf. Evans 1979).

As the level of transnational corporate penetration increases in non-core nations, from the standpoint of transnationals, it is imperative that the influence of foreign capital on the economy and polity of the penetrated nation also increase. Transnational corporations often utilize "non-market devices" (i.e, political means) to

acquire and secure access to peripheral regions of the world-economy. These political means can take the form of direct or indirect pressure on dependent states. Indirect pressure reflects the capacity of transnationals to solicit the assistance of core states and "attempt to directly control and influence the economic and political process in other states" (Chase-Dunn and Rubinson 1977, p 456). Direct pressure reflects the relatively superior bargaining strength of transnationals vis-a-vis the local elite and the dependent peripheral state. This bargaining strength is based on the fact that the state in the periphery is dependent financially, technologically, and politically on both transnational corporations and core states; making it vulnerable and weak relative to core capital and states.

The cumulative effect of direct and indirect pressures often enable transnational corporations to elicit cooperation from dependent/peripheral states. However, this does not imply that non-core states are mere instruments or prefabrications of external capital and thus coerced or necessarily forced into certain arrangements. In fact, they "have a partially autonomous history" (Bornschier and Chase-Dunn 1985, 15) and under the prevailing material conditions, are often fully cognizant of the short-term economic benefits of a relationship with external capital. (It was noted in Chapter 2 that the significance of this autonomy

and also its capacity to maneuver is particularly indicative of the stronger semi-peripheral states).

Taken together, the state is then situated between mediating internal contradictions on the one hand, and promoting a socio-economic and political climate conducive to transnational penetration on the other. These dual objectives of the state are not unrelated. On the contrary, they are closely linked because each is perceived as necessary for the other to be accomplished. The very survival of some peripheral regimes often depends on the continued participation of external capital in the domestic economy. Generally, the execution of these two objectives results in an "implicit partnership" between transnationals and the dependent state. Consider, for example, the following description of Brazil by Evans (1979, 226-27):

The expansion of state enterprise . . . has created an implicit partnership between state enterprises and multinationals built around their complementary roles and their common interest in accumulation. The basic division of labor between them grew out of the 'infrastructure versus direct production' tradition and retains some of the characteristics of that complementarity. . . . State enterprise has been incorporated into the network of international capital just as the largest local private economic groups have been.

In this evaluation, the state's direct economic role is to promote infrastructural growth while transnationals concentrate on direct production for the market. To the extent that such an association is characteristic of relations between transnationals and the peripheral state,

and for this mutually beneficial relationship to be effective, it is essential that conducive political conditions prevail.

The following paragraphs focus on the association between transnationals and the state, and the political restraints emerging from this association. Specifically, on the implementation of political control and limiting popular participation in order to attract and retain transnational penetration.

Transnationals and Political Control

The process and mechanism by which the state attempts to facilitate and provide a political climate conducive to the accumulation process is by exerting a wide range of political controls (e.g., political control of social conflict, political control of economic conflict, overt use/threat of violence, and institutionalized political exclusion). Although this research is limited to the institutionalized control resulting from among other variables, transnational penetration, it is worth noting that some researchers have examined the effect of transnational penetration on political control of economic conflict.

For example, Bornschier and Ballmer-Cao's (1979) cross-national research shows that transnational corporations are able to maintain a favorable climate in the

periphery by exerting influence on the state to politically control economic conditions. Their evidence suggests that transnationals (through the state) are able to diffuse economic conflict by politically suppressing an eminent source of economic conflict in dependent nations: labor unions. Additionally, transnationals can also be selective by refraining from intense capital investment in areas with highly unionized or organized labor. To avert this opportunity cost, it is in the interest of the state to either prevent, closely regulate, or implement state sponsored unions which are more easily controlled. As such, the state serves to control and undermine the potential for significant economic conflict.

Yet, the objective conditions (e.g., increased proletarianization, and economic inequality) that emanate for workers outside the state bureaucracy or apparatuses are significant enough to potentially cultivate resentment and opposition, and be detrimental to both the interests of external capital and the state itself.

This potential for conflict is diffused by increasing the political control of economic activity (e.g., increased presence of the state in economic affairs, expansion of state enterprises etc.), institutionalized political exclusion (e.g., outright restriction on popular political participation) or a combination of these measures.

It is not unusual for the state to justify the latter, especially under aggravated and "destabilizing" socio-economic and political circumstances. Some scholars hypothesize that institutionalized political exclusion is fairly ubiquitous under dependent conditions. Evans (1979, 29) has summed it up as follows:

Exclusion, like disarticulation, is a constant feature of dependency. Because accumulation depends primarily either on exports or on goods beyond their means, the mass of the population can be excluded as consumers. Because they are effectively barred from economic participation, to allow them political participation would be disruptive.

Thus, dependent states are perceived to be relatively more apt than non-dependent states, to resort to political control or exclusion as a means of ensuring political "stability" for the perpetuation of the accumulation process within the context of the global-economy (cf. Bollen 1983, 470).

It is for these reasons that the peripheral state is characterized as a central actor in "the administration of the dependent role of these economies in the international division of labor and the capitalist world accumulation process" (Carnoy 1984, 188). This role, as influenced by transnational penetration, is hypothesized to foster an exclusionary tendency in the peripheral state.

CHAPTER 4

MILITARIZATION AND POLITICAL EXCLUSION

Introduction

Ours is a sick society. One symptom of the sickness is the spread of militarism and militarization around the globe (Thee 1980, 15).

Since 1945, one of the major developments in peripheral nations has been the proliferation of armaments and military related expenditures. As the "militarization" of peripheral nations becomes more pervasive and intense, researchers are also exploring the socio-economic and political implications associated with the process. One of the ironies of recent cross-national research, however, has been that most of it has concentrated on how this linkage between non-core and core nations impacts upon economic development for the non-core nations experiencing increased military spending (e.g., Benoit 1973; Hartman and Walters 1985; Kick and Sharda 1986). Needless to say, while exploring the implications of increased military spending on economic development is certainly relevant to dependency/world-system research, the implication of militarization on political exclusion is equally relevant. Yet according to some (e.g., Thee 1980), there has not been sufficient consideration on this development in scholarly circles.

In an effort to reveal any potential relationship between arms transfers/militarization of non-core states and political exclusion in these nations, it is first necessary to elaborate on the dimensions and dynamics of this process. This chapter will focus on 1) major trends in the militarization of non-core states; 2) some structural factors contributing to these trends; 3) the structure of the arms market; and 4) its association with the level of political exclusion in these states.

Militarization Trends in Non-Core States

The ongoing intensification of militarization in the periphery is but one feature indicative of the overdeveloped state apparatuses becoming even more dominant. In reviewing this trend, one is immediately struck by the fact that the transfer of arms and other military related technologies to non-core states intensified at a time when these nations appeared to be most concerned with pursuing socio-economic development. Ironically, these states appear to have been more successful at accomplishing the former. Figure 4 provides a graphic look at the total military expenditures of developing countries between 1969-78. In 1969 military expenditures of developing countries were 14.1 percent of total world military expenditures. By 1978 its share of this total had increased to 18.6 percent (USACDA 1980). Oberg (1975, 215) refers to these developments as a trend

towards "relative peripheral armaments." In this research, the term militarization is used to reflect the same phenomenon.

This growth in value and percentage of total world expenditures is largely an engenderment of developing countries' growing share of the world's arms imports. Table 7 shows a breakdown of arms imports by region from 1967-76. The overall increases in military expenditures for developing countries, have grown consistently with increases in arms imports. Except for East Asia, all of the regions increased arms imports with Africa, and the Near East as clear standouts.

Africa experienced the largest increase (949 percent). There are of course a large number of countries in this continent and if one takes this into consideration, its share is relatively small (cf. Catrina 1988, 60). South Africa and Libya also account for a substantial portion of this share. Nevertheless, this growth in arms imports for the region is still substantial.

The Near East also experienced a steady and significant increase in arms imports. Obviously, a combination of factors have contributed to this trend; not the least of which being the hostilities in the region, the early success of OPEC, as well as the interests of core states in the region. This is reflected in the data by the dramatic increase after 1973. As others (e.g., Catrina

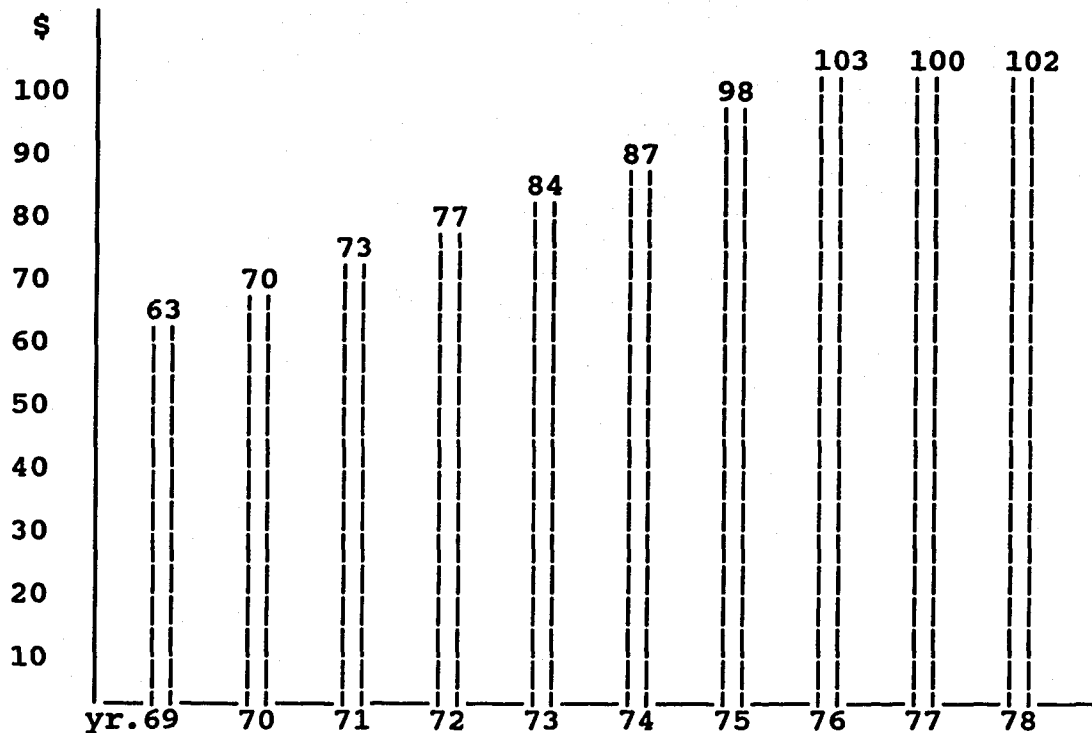


Figure 4. Military Expenditures of Developing Countries (1969-78) (in US\$ billions constant 1977). Data from U.S. Arms Control and Disarmament Agency (1980). For a list of developing countries see 25 of source.

1988) have noted, this trend has continued into the latter half of the 1970s and the 1980s.

Latin America exhibits a more stable pattern with relatively small yearly increases over this period. But not unlike most other peripheral regions, its share has continued to increase in the 1980s.

East Asia reveals an unusual pattern during these years with a declining level of expenditures for arms. This can be attributed to the end of the Vietnam conflict. In

Table 7.—Total Arms Imports by Region (1967-76) (in US\$ millions constant 1975)*

Year	Africa	Near East	L. America	E. Asia	S. Asia
1967	222	881	269	3135	269
1968	187	947	243	3153	415
1968	208	1193	288	3026	369
1970	318	1713	192	2626	254
1971	363	1527	314	2757	398
1972	573	2444	499	4390	474
1973	569	6188	659	3008	530
1974	665	4255	492	2346	368
1975	1189	3715	512	1994	301
1976	2107	4204	770	1050	440

*Data from U.S. Arms Control and Disarmament Agency (1978).

fact, the relatively high level of expenditures in the sixties in this region was accounted for by the Vietnam conflict.

With the exception of East Asia, South Asia experienced the slowest growth in arms import during this period. Nonetheless, like the other regions the trend towards increasing importation of arms in this region has continued into the eighties (cf. USACDA 1984).

Some Contributing Factors

On the surface, it would appear that the progression of military related expenditures in many non-core nations would be an expected development; especially following the establishment of independence and national sovereignty. Nations, particularly "emerging" ones, have legitimate security concerns and as such will attempt to acquire military capabilities not only as a means of symbolically establishing national sovereignty but also to deter any actual or potential threat to that sovereignty. While at a theoretical and objective level there may be some validity to these factors, some scholars (cf. Eide 1980) argue that these conventional explanations do not account for the significant and rapid growth in militarization in the periphery. Nonetheless, the intent here is not to deliberate the validity of these reasons. Instead, the focus is on the effect of the unprecedented growth in militarization in non-core states on political exclusion. In order to adequately examine this association, it is necessary to note the contextual factors that provide the basis for the militarization process. Beyond the conventional explanations noted, Albrecht (1980) and others have identified some contributing factors to this trend worth noting.

First, Albrecht suggests that historically, militarization in the periphery can be traced to the

function and utility of force in colonialism. This tradition of reliance on the most sophisticated and equipped sector of the state has been inherited by the present state apparatus (see also Eide 1980). Kucuk (1980) concurs with this point but his analysis is oriented toward elucidating the class basis of colonial (and contemporary) militarization by arguing that the military organization was and is now in fact an instrument of the bourgeoisie: "the bourgeoisie could preserve its colonial holdings only by making maximum use of its state military organization as a physical force and a social organization" (149). Hence, the present process is in fact an extension of this historical development.

Second, the post-war posture of the "super-powers" and the ensuing regional conflicts have undoubtedly contributed to a markedly greater diversion of resources toward militarization in some non-core regions. This explanation is commonly known as the containment policy as advocated in the United States. According to Albrecht, "the impact upon the future path of political development was tremendous" for countries affected by this policy and the military sector "experienced a thrust of modernization unrivalled by any other branch of the society" (118).

Third, the drive for socio-economic development (especially in the sixties) logically lead to an expansion of functions for the most efficient component of the state:

the military organization. Albrecht is quite accurate on this point. This expansion did not only translate into a more strategic involvement in the administrative functions of the state (in the form of exclusionary authoritarian regimes; be it military or civilian), but also in concrete developmental pursuits. The enhanced presence of the military in these two realms are not unrelated. Chirot (1977; 1986), for example, has argued that semi-peripheral countries have been more inclined to experience such a process as a stronger state is perceived to be essential in directing development programs in these nations whose logical aim is not only to aspire to the core but also to limit excessive domination by core states and competition from other semi-peripheral states.¹³ Incidentally, as a result of this, semi-peripheral states are also opined to be more exclusionary and less tolerant of dissent. But more on this later.

Fourth, Albrecht notes that the increased fiscal capacity of a number of non-core states (particularly those that have been enriched by petrodollars) has further fuelled the militarization process. Considering Chirot's point above about the tendency for non-core (and especially semi-peripheral) states to perceive a strong state apparatus as a

¹³It is worth noting that there is a running debate in cross-national literature on the relative effect of militarization and a strong state on developmental prospects in non-core nations. For a review see (Kick and Sharda 1986).

prerequisite for socio-economic development and recognition in the world-economy, it is perhaps no coincidence that many of these nations have opted to markedly exacerbate their military capabilities rather than invest more directly in social development. A report by the United Nations notes: "Progress in other areas such as health, education, housing and many more, is delayed due to lack of resources" (quoted in Thee 1980, 27).

Table 8.—Total Military Expenditures — OPEC and Non-Oil Exporting Developing Nations (in US\$ mil constant 1978)

	1965	1970	1975
OPEC Nations*.....	3800	8739	29821
Non-oil Develop. Nations**:			
GNP ('77) per capita			
US\$80-300.....	4795	5181	5812
GNP ('77) per capita			
US\$320-800.....	2500	4536	9195
GNP ('77) per capita			
US\$800 and above.....	6090	8190	12057

*not including Qatar.

**excluding Kampuchea, Laos and Vietnam.

Source: SIPRI (1980, 19).

Average military expenditures as a percentage of central government expenditures for oil exporting countries¹⁴ increased from 15.1 in 1972 (eve of the oil embargo) to 22.4

¹⁴These countries include Algeria, Cameroon, Congo, Ecuador, Egypt, Indonesia, Iran, Iraq, Kuwait, Libya, Mexico, Nigeria, Oman, Saudi Arabia, Syria, U.A.E. and Venezuela.

in 1976 (USACDA 1980). Although the surge in resources of oil exporting countries is discernably associated with militarization, this trend is not exclusive to wealthy countries. Instead, as Table 8 reveals, increases in defense expenditures have cut across the economic spectrum. While OPEC nations experienced the largest increase (over 780 percent) during this period, middle income (non-oil exporting) countries also cumulated an increase of over 365 percent. As such, the military in many non-core states has "experienced an additional and unexpected modernization thrust, again unchallenged by civilian development" (Albrecht 1980, 119).

Fifth, the quest for profits has enabled this development to persist and flourish. Arms and military related transfers to non-core states is, in itself an extremely lucrative enterprise. Vayrynen (1980) writes:

It is apparent that the economic urge to export is much more dominant in a capitalist society. This is especially so in the present situation in which the structural crisis of the arms economy compels the arms manufacturers to aim at the alleviation of the most burning problems by increasing exports (133).

This condition and the inherent element of profit has provided the necessary precipitator for "the extensive role (for) transnational corporations in disseminating military technology" (133). The potential for profits and increased

transnational involvement in production¹⁵ (including joint ventures with peripheral states) and distribution of military hardware is further boosted by relatively cheap labor and untapped markets in the periphery (134).

Additionally, as more sophisticated technologies continue to be introduced and client states become frozen into particular technologies, the level of technological dependence of these nations will increase rather than decrease (150).

Lastly, the presence of what has been called "latent political demand" (Vayrynen, 134) in non-core states is another major contributing factor. While Vayrynen does not elaborate, his reference to the political conditions in the periphery and semi-periphery as a contributing factor is evident. The degree of socio-political instability can be cited as one condition that provides an appropriate rationale for these states to continue to sustain high levels of demand for military expenditures.

Chirot (1977), for example, argues that semi-peripheral nations are especially prone to experience political instability. For one, nationalistic sentiments tend to be greater in the semi-periphery; exerting pressure on the state to strengthen its "international position vis-

¹⁵Many non-core nations are increasingly becoming involved in establishing indigenous production and manufacture of arms and although this is legitimately tied to the militarization process, this research does not focus on that dimension.

a-vis the core" (77). This subjects semi-peripheral societies to constraints that are potentially disruptive to the internal social order. The disarticulated internal social structure further adds to the potential for social instability in an aspiring semi-peripheral society.

The combination of the above factors have been instrumental in contributing to the militarization process in many non-core nations.

International Hierarchy and Arms Market Structure

In the previous section it was noted that the proliferation of armaments and related expenditures have been precipitated by a number of historical and material conditions. This section will focus on locating the militarization process in non-core states within the structural hierarchy of the world-system.

As far as militarization is concerned, this hierarchy is represented by the structure of the arms market which closely corresponds to the larger configuration of the world-system. Being a feature of the world-economy, and an important one at that, the structure of the arms market reflects and influences political formations in the world-system. In this regard, in order to examine the relationship between militarization and political exclusion in non-core states, it is worth looking at some central features of the structure of the arms market.

		recipients		
		Core	S-P	Periphery
s u p p l i e r s	Core	A	B	C
	S-Periphery	D	E	F
	Periphery	G	H	I

Figure 5. Typology of Arms Market.

The structure of the arms market in the world-system can be conceptualized as relationships between suppliers and recipients as shown in Figure 5 above.¹⁶ The blocks in the figure represent actual or potential arms markets. Catrina (1988, 42) refers to the blocks as "submarkets." As Figure 5 indicates, there are nine submarkets that constitute the global arms market. The pattern of flow of armaments in these submarkets is important because it provides insight into the structure of the international hierarchy. The primary focus will be on the transfer of armaments from the core to the semi-periphery (submarket

¹⁶Catrina (1988) has proposed a similar typology describing potential markets between developed and developing countries. While it is a useful conceptualization, the typology presented here is designed to more appropriately reflect the world-system framework. Developed countries are herein referred to as core and developing countries are distinguished between semi-periphery and periphery.

"B"), and the periphery (submarket "C") which are the largest submarkets.

A substantial portion of the world's arms transfers continue to occur in submarkets "B" and "C" although the intensity of exchange in submarket "F" is becoming increasingly significant.

The transfer of arms to non-core nations has historically been dominated by a relatively small number of countries. Table 9 reveals that between 1967-76, there were seventeen countries that exported arms in each of those years and twelve of these were core nations (Group A). Among these consistent suppliers, only six exported over \$100 million dollars worth of arms in each year (Group B). To some extent, these major exporters appear to represent the significance of East-West divisions in contributing to the expansion of arms transfers. But more importantly, it represents the oligopolistic character of the arms market as dominated by core states.

During this period the United States accounted for 48.4 percent of the world's total supplies, making it the largest exporter of armaments. The closest competitor being the Soviet Union which accounted for 28 percent while France and the United Kingdom lagged behind with 4.8 percent and 3.5 percent respectively (USACDA 1978). Since then, the configuration of the supply side of armaments has changed somewhat. For instance, between 1978-1982, the United

States' share of this total declined to 25 percent, and the Soviet Union's increased to 33.3 percent as did the percentage for France (9.0 percent) and the United Kingdom (6.0 percent).

Table 9.—Selected Arms Exporters (1967-76)

Group A		Group B
Country	WSP	
Australia	core	Canada
Belgium	core	China*
Canada	core	Czechoslovakia*
China (PRC)	periphery	France*
Czechoslovakia	periphery	West Germany
France	core	Soviet Union*
East Germany	s-periphery	United Kingdom*
West Germany	core	United States*
Italy	core	
Japan	core	
Netherlands	core	
Poland	periphery	
Soviet Union	s-periphery	
Sweden	core	
Switzerland	core	
United Kingdom	core	
United States	core	

The countries in group A exported arms in each of the years during this period.

The countries in group B exported at least US\$50 million of arms in each of the years.

* Countries that exported at least US\$100 million of arms in each of the years.

Compiled with data from U.S. Arms Control and Disarmament Agency (1978)

This diffusion of market share is also evident by the increased participation of previously less significant

suppliers. For example, there were seventeen nations that had exported arms in every year between 1967-76 and there were twenty-four nations that had an annual share of the market between 1978-82 (USACDA 1978; 1984). The emerging suppliers were Hungary, Israel, Norway, Poland, Romania, Spain, and Yugoslavia. This increase in the number of regular suppliers is reflective of the growing competitiveness of the arms market.

Equally important is the destination of these transfers. To some extent, the previous section showed that a substantial portion were to semi-peripheral and peripheral states. A closer look reveals that 73 percent of total arms imports between 1967-76 was accounted for by developing countries. Seventy-eight percent of United States' and 70 percent of the Soviet Union's transfers were to developing countries (USACDA 1978, 157). By 1982 the developing countries were accounting for 80 percent of the total arms imported (USACDA 1984, 95).

In sum, although core nations have historically dominated the arms market, there appear to be more suppliers in the market than ever before. In addition, the less developed and more disadvantaged nations in the world-economy continue to receive a larger proportion of these supplies.

Military Expenditures and Political Exclusion

This section descriptively evaluates the degree of association between dependent militarization and political exclusion in non-core nations.

The extent of dependence of non-core nations on armaments and military related technology is substantial. The theoretical proposition of the dependency/world-system argument is that increased militarization in the periphery tends to have deleterious political consequences. A logical consequence of increased militarization is the consolidation of the state vis-a-vis internal social forces. But this dependence also demonstrates a critical linkage between the suppliers (i.e., dominant states or agents of these states) and the dependent states. This linkage and consolidation of the dependent state reinforces the political capacity of the state to "mediate" internal contradictions and consequently control internal social and political instability. Sigelman's (1974) research, for example, shows that larger military apparatuses in peripheral nations are more likely to intervene in domestic political affairs.

The consolidation of the state and its ability to suppress internal dissent (which is also potentially threatening to external capital) when necessary is not only reflected in its ability and tendency to use force but is ultimately reflected in its institutionalized exclusionary nature. Hence, from the standpoint of the dependent state,

militarization facilitates control. For core states (and external capital) it promotes continuity in political relations, and helps ensure an atmosphere conducive to both military and non-military related investment penetration. This mutually beneficial linkage is therefore not only reinforced through economic means (as in transnational penetration) but also through political means (i.e., militarization).

Some scholars (e.g., Chirot 1977; Bollen 1979) have argued that semi-peripheral states are more apt to be stronger, more centralized, and less tolerant of dissent than peripheral states. Chirot (1977, 80) asserts that:

(S)emi-peripheral societies trying to become core economies but lacking the necessary social and economic structures must have strong state machines. The state must be the primary mover. . . . But the process has high costs, at least in the short-run. The state must repress . . . in order to keep consumption down and investment high.

He continues by adding that:

(T)he power of the core, both of core governments and of the large multi-national core businesses, is so great, and its ability to seduce, corrupt or otherwise influence policy in weak states is so high, that only relatively autocratic governments can resist (223-24).

There are two points made in Chirot's claims that are relevant. First, the propensity for semi-peripheral states to be strong (relative to peripheral states) not only to facilitate pursuit of national objectives but also to be able to resist external influence. From the standpoint of militarization as an indication of state strength, the

Table 10.—Military Expenditures as a Percentage of Central Government Expenditures (CGE) and Political Exclusion in Semi-Peripheral States

S-Peripheral Nations:	Military Exp./CGE (constant '75 dollars) 1967-70	Pol. Exclusion Index: 1973-75
Sri Lanka	2.7	2.0
Finland	3.5	2.0
Ireland	3.5	1.0
Kenya	7.4	5.0
Venezuela	9.2	1.8
Philippines	9.7	4.8
Uruguay	12.2	4.8
S. Africa	12.2	6.0
Malaysia	12.9	2.6
India	16.8	2.0
Argentina	18.1	3.6
Turkey	22.1	2.2
South Korea	22.8	4.8
Singapore	24.8	5.0
Pakistan	25.5	4.8
Egypt	26.1	5.8
Spain	26.4	5.0
Iran	26.9	5.4
Burma	33.0	6.6
Portugal	40.0	4.4
Israel	41.9	2.0
Jordan	41.9	6.0

Data are computed from data provided in USACDA (1978) and Gastil (1975).

analyses in Chapter 7 will facilitate in evaluating if semi-peripheral states are more militarized than peripheral ones. Second, is the assertion that semi-peripheral states are less tolerant of dissent and more repressive (cf. also Bollen 1983). It will be interesting to see if the analyses show that this feature translates into the tendency for semi-peripheral states to be more exclusionary than peripheral states. Tables 10 and 11 provide a preliminary

comparison of military expenditures and political exclusion for semi-peripheral and peripheral nations in the sample used in this research. The nations in each of the tables are ranked from lowest to highest based on the percentage of central government expenditures allocated for military purposes.

With some exceptions, the trend for semi-peripheral nations is that nations with a higher proportion of military spending are also more politically exclusive (Table 10). Sixteen of the twenty-two nations (approximately 73 percent) had at least 10 percent of their budget allocated to military expenditures and 11 nations had allocated at least 20 percent to military expenditures.

The trend among peripheral nations is less obvious. Thirty-six nations (approximately 64 percent) had allocated at least 10 percent of total government expenditures for military purposes, and nine (15 percent) had at least 20 percent of government expenditures allocated for similar purposes. Percentage wise, both categories are smaller in comparison to semi-peripheral nations. The most striking feature, however, is the relatively high level of political exclusion in many peripheral nations. More in-depth analyses of these data are presented in Chapter 7.

Table 11.—Military Expenditures as a Percentage of Central Government Expenditures (CGE) and Political Exclusion (PEX) in Peripheral States

Peripheral Nations:	MIL/CGE	PEX.	Peripheral Nations:	MIL/CGE	PEX.
Costa Rica	0.8	1.0	Chad	12.2	6.4
Malawi	1.8	4.5	Morocco	12.3	5.0
Jamaica	1.9	1.0	Cameroon	12.3	6.2
Trinidad & T.	2.0	2.0	C.African Rp.	12.6	7.0
Panama	3.5	7.0	El Salvador	12.8	2.5
S. Leone	4.4	5.6	Ghana	13.0	6.8
Zambia	4.9	5.0	Burundi	13.0	7.0
Ivory Coast	5.3	6.0	Columbia	13.2	2.0
Tunisia	5.3	6.0	Mali	13.8	7.0
Liberia	5.7	6.0	Dom. Republic	14.2	3.6
Tanzania	5.9	6.0	Zaire	14.2	7.0
Algeria	6.1	6.2	Indonesia	14.7	5.0
Mexico	7.4	5.0	Thailand	14.8	5.2
Zimbabwe	7.4	6.0	Paraguay	14.9	4.8
Libya	7.5	7.0	Sudan	16.4	6.0
Niger	7.8	6.6	Somalia	16.7	7.0
Madagascar	8.3	5.2	Saudi Arabia	17.0	6.0
Ecuador	8.6	6.8	Haiti	18.7	6.2
Nepal	8.7	6.0	Peru	20.1	6.4
Chile	9.6	5.8	Brazil	20.4	4.4
Mauritania	9.7	5.8	Afghanistan	21.0	6.4
Guinea	10.0	7.0	Ethiopia	21.3	6.0
Togo	10.1	7.0	Rwanda	22.4	7.0
Senegal	10.3	6.0	Iraq	34.6	7.0
Uganda	10.7	7.0	Syria	37.2	6.4
Upper Volta	11.1	4.6	Nigeria	42.3	6.4
Guatemala	11.2	3.2	Taiwan	50.0	6.0
Bolivia	11.4	5.6			
Nicaragua	11.7	4.8			
Benin	12.2	7.0			

Figures are computed from data provided in USACDA (1978) and Gastil (1975).

CHAPTER 5

DEBT DEPENDENCE AND THE PERIPHERAL STATE

Introduction

Foreign aid is like an artichoke. When in flower it is fairly attractive in form and color. With time it becomes a prickly plant with merely a small part of it edible (Mende 1973, 42).

This chapter focuses on the sociology of the international financial/aid system and its propensity to contribute to political exclusion in indebted nations. Specifically, the focus will be on the potential significance of the lending and borrowing pursued through the IMF and The World Bank, and debt dependence in general, on political exclusion in non-core nations. Based on the works of scholars like Hayter (1971), and Payer (1974), debt dependence is conceptualized as another mechanism through which domination in the world-system is maintained. The primary concern will be to explore the potential political implications of this form of dependence. The chapter is divided into three parts. The first reviews the sociological rationale of the two institutions by briefly focusing on their development and relationship in relation to core and non-core nation. Part two outlines the progression and extent of debt dependence among non-core

nation. Part three explores the potential political implications of debt dependence.

A number of scholars have argued that dependence also manifests itself in the form of economic assistance (cf. Chase-Dunn 1975; Muller 1985). Like the reliance on transnational capital, dependence on economic assistance is largely considered by these scholars as another crucial component of "financial-industrial" dependence as specified in the early works of Dos Santos (cf. Dos Santos 1970, 231-236).

In recent years, some critical scholars (e.g., Payer 1974) have come to evaluate the above two multilateral financial institutions not as engines of development but rather organizations that ". . . attempt to preserve the capitalist system in the Third World" (Hayter 1971, 9). Foreign economic assistance is perceived as an instrument for the preservation of private extraction of surplus from the periphery:

The availability of 'official aid' increases the likelihood that governments of Third World countries will tolerate the continuation of massive outflows of private profits . . . (Hayter 1971).

Hayter (9) continues by noting that: "Any contributions to their (i.e., the Third World's) well-being which may arise through aid are incidental to its main purposes, and must be balanced against its generally negative effect." This assessment is indeed a very unorthodox one, to say the least. However, one cannot

overlook the enormous influence these institutions exert on debtor nations. Payer writes that: "The International Monetary Fund is the most powerful supranational government in the world today" (1974, ix). These sentiments project not only the importance of both institutions in the world-system but the potential consequences of their policies for nations dependent on them. From the standpoint of dependency/world-system theory, the perilousness of a disadvantaged position becomes even more crucial if, as these scholars argue, the influential international financial institutions reflect and perpetuate policies consistent with the economic doctrine of core nations.

The International Monetary Fund and
The World Bank

Following Bretton Woods and the inception of the International Monetary Fund (IMF) and The International Bank for Reconstruction and Development (The World Bank), a new mode of interaction between the core and other nations in the world-system came into existence: an intricate but coordinated financial and monetary system.¹⁷ The importance of this system was made explicit by the Independent Commission on International Development Issues

¹⁷Since then, a number of other multilateral financial institutions have also emerged. These include regional institutions such as the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank.

when it stated that "(t)he prospects in all areas of world trade . . . are greatly influenced by the functioning of the world monetary system" (201).

The IMF and The World Bank have been defined as the perennial embodiment of liberal economic philosophy. The policies of these institutions promulgate the free flow of goods, reliance on market mechanisms, and free movement of private capital (Krasner 1985, 4; Payer 1974, 25; Hayter 1972, 151-52). Beset by these ideological constraints, their operational policies often entail conditions and close scrutiny of indigenous economic policies of borrowing nations which, at the very least, border on exerting control on these nations.

The manifest objectives of the IMF and The World Bank (especially since the 1960s) are directly concerned with facilitating peripheral member countries with balance of payment problems and developmental programs.

As originally conceived, the IMF was designed to foster international monetary cooperation by facilitating in a number of areas, but particularly in currency exchange, international financial stability, and international trade. To these ends, its financial resources would be loaned to member countries for alleviating short-term balance of payment problems. This of course, remains its principal function. Generally, member countries can borrow on the basis of the size of their contribution to the Fund. In

recent years, other auxiliary specialized instruments of lending (e.g., the Compensatory Finance Facility, the Buffer Stock Financial Facility, Special Drawing Rights, and the Extended Facility) have been introduced by the IMF that enable poorer countries access to additional credit (cf. Krasner 1985) to remedy other short-term fiscal problems emanating from special circumstances.

While borrowing through the IMF has steadily increased, since the 1970s one critical function of the IMF is not the access to credit it provides but rather the guidelines and recommendations on which other lending institutions (e.g., The World Bank and commercial banks) base their lending decisions (Krasner 1985). In fact, IMF credits as a proportion of the total debt of most peripheral nations have declined. Instead, it has increasingly become:

(T)he guarantor of 'creditworthiness' . . . (and) its stamp of approval . . . has become a major factor in encouraging capital flows from other multilateral sources and from central banks and commercial banks (Henriot and Jameson 1988, 23).

This role as creditor and guarantor gives the IMF considerable leverage over dependent/debtor nations. This leverage takes the form of the conditionalities that accompany IMF credits and guarantees. As some (e.g., Krasner 1985, 140-41) have noted, although the overall distribution of votes in the IMF have in recent years tilted in the favor of less developed countries, the domestic economic policies that debtor nations must pursue in

compliance with IMF conditions remain stringent. The general IMF conditions normally involve:

1. Curbing money supply to control inflationary conditions;
2. Cutting subsidies that distort domestic markets;
3. Setting "realistic" exchange rates in order to discourage imports and encourage exports;
4. Discourage government expenditures and programs and promote balanced budgets; and
5. Implementing accommodating policies toward foreign investment (Independent Commission on International Development Issues 1986, 216; Henriot and Jameson 1988; Payer 1974).

The Independent Commission (1986) notes that these common austerity measures and orientation of the IMF have only stagnated debtor nations by curbing domestic consumption and not significantly improved domestic conditions conducive to promoting growth. This assessment had been voiced by others as well. Payer (1974, 41-6) notes that the austerity and conditions accompanying IMF aid results in "stabilization" that squeezes local capital by raising the cost of local credit, disproportionately effects the economically marginal by limiting employment and consumption.

Unlike the IMF, the World Bank's lending policies are directed toward promoting economic development. As such,

its resources have been primarily used to fund development projects. In 1960 the International Development Association (IDA) was created. This is a subsidiary of the World Bank directly charged with making long-term loans (up to fifty years) to less developed countries. Regular World Bank loans differ from IDA loans in that World Bank loans charge commercial interest rates while IDA loans are made on highly concessional terms. Ninety percent of IDA funds come from contributions by industrialized (core) countries and most of these funds are loaned to poorer developing countries (Krasner 1985).

Although the primary function of The World Bank differs from that of the IMF, the two institutions are highly complementary. For instance, like the IMF, The World Bank is also intimately involved in promoting equilibrium in balance of payments, and private investments "by means of guarantees or participations in loans and other investments made by private investors" (Curtin 1988, 214; see also Hayter 1971, 31-41).

The Progression of Debt Dependence

The total debt owed by the developing countries has progressively increased. According to The World Bank's estimates, in 1986, this figure surpassed the \$1 trillion mark (The World Bank 1986). Among other things, the magnitude of this debt illustrates the extent to which much

of the periphery is dependent on external sources of capital. But more importantly, it is symbolic of a fundamental contradiction confronting peripheral nations. Conventional wisdom has historically been in unison concerning the need for capital in these countries. Yet, it is precisely the transfer of capital in the form of assistance through the international monetary system that has become a stumbling block for many of these countries.

Table 12 reveals the progression of debt by region between 1970-79. All the regions noted have experienced a steady increase in the level of indebtedness. Latin America and the Caribbean is a clear standout with the greatest increase over this period. The increase in indebtedness in Africa has also been rapid.

Of the 15 most indebted nations between 1970-79, twelve were Latin American/Caribbean nations with Brazil and Mexico leading the list (see Table 13). It is also worth noting that (based on Snyder and Kick's [1979] world-system classification), with the exception of Argentina, Venezuela and Uruguay, all of the nations are peripheral.

The rate of increase in the debt of the leading nations during this period is acute. Brazil, for example, increased its debt from \$5.1 billion in 1970 to \$51.7 billion by 1979. By 1985, Brazil led peripheral nations with a debt of \$103 billion while Mexico's debt increased to \$97 billion. Uruguay, which is at the bottom of the list in

Table 12.—External Debt of Developing Countries by Region
(1970-79) (US\$ billion)

Region	1970	1972	1974	1976	1978	1979
Africa:						
S. Sahara	5.7	7.4	12.3	17.6	29.3	37.1
N. Africa	3.9	5.4	8.3	15.5	32.2	39.2
Asia:						
E.Asia & Pacific	8.2	12.9	19.2	29.8	43.3	49.9
South Asia	11.4	14.3	18.2	22.5	28.1	29.3
Europe & Med'nean	8.7	12.9	18.6	24.9	38.6	49.6
L.Amer. & Caribb	27.8	37.4	57.8	83.1	127.2	149.2
Middle-East	64.6	62.3	51.1	41.0	54.3	105.0

Data are from The World Bank (1989).

Table 13 had a long-term debt of \$1.1 billion in 1979 and by 1985, this figure had increased to \$4.9 billion (cf. Henriot and Jameson 1988).

This debt trap is not limited to the highly indebted nations. The fragility of peripheral economies was evident during the energy crisis and the subsequent global recession in the mid 1970s (cf. Korth 1988). The continuation of the recession into the early 1980s worsened the economic outlook. The average annual growth between 1965-86 in GNP per capita for thirty-one countries identified by The World Bank (1988, 222) as low-income economies, was 0.5 percent. Twelve of these countries experienced a negative growth in each of years.

The severity of debt dependence is made more graphic by the experiences of countries like Bolivia whose debt in 1970 (\$491 million) was approximately 50 percent of its Gross National Product (\$996 million). By 1979, Bolivia's debt was \$2 billion and its GNP was \$2.5 billion (The World Bank 1989). The countries in Table 13 have remained the leading peripheral/debtor nations through the 1980s.

The growing debt of non-core nations has meant mounting interest payments. In 1970 Brazil's interest payments amounted to 0.3 percent of its GNP and by 1985, 5.8 percent of its GNP was consumed for the same purpose. Nigeria, the leading debtor nation in Africa, increased its debt from \$567 million in 1970 to \$18 billion by 1985 and its interest payment was 0.2 percent and 1.9 percent of GNP respectively (The World Bank 1989; Henriot and Jameson 1988). The rise in interest payment is more telling for other countries like Chile, Peru, and Bolivia whose interest payments in 1985 were 12.9 percent, 10.8 percent, and 10 percent of GNP respectively (Henriot and Jameson 1988).

The opportunity cost of such exorbitant resource exodus coupled with the austerity conditions of the major lending institutions have become critical in depressing domestic investment. The debt trap peaked during the 1980s when a number of countries (including Mexico and Brazil) were unable to meet their interest obligations; precipitating debt restructuring efforts. Debt

Table 13.—Average Debt and Interest Payment of Highly Indebted Nations (1970-79)

	World-System Position	Average Annual Debt (\$ mil)	Interest/GNP
Brazil	periphery	5178	0.8
Mexico	periphery	3467	1.3
Argentina	s-periphery	1404	0.7
Venezuela	s-periphery	1213	0.7
Morocco	periphery	756	1.4
Chile	periphery	755	1.3
Peru	periphery	712	1.6
Nigeria	periphery	395	0.2
Ivory Coast	periphery	388	2.0
Colombia	periphery	386	0.8
Ecuador	periphery	338	1.1
Bolivia	periphery	200	2.4
Costa Rica	periphery	170	1.4
Jamaica	periphery	125	2.0
Uruguay	s-periphery	112	1.1

Figures are computed based on The World Bank (1989) data.

restructuring and rescheduling does not reduce the debt burden but enables countries complying with the IMF's requirements to defer payments with additional interest for the extension. Payer (1974) assesses that:

The potential for repeated payments crises and 'rescue operations' stretches into the indefinite future in a vicious circle: an IMF program is made the condition for further debt relief, but the IMF program perpetuates the colonial economic pattern and the 'aid' can never be fully paid back. The poor countries will have to run faster and faster just to stay in the same place (47).

Korth (1988) notes that the progression of debt dependence and repayment problems among many peripheral countries will adversely affect the availability of credit in the near future. Given that a significant portion of the

current debt is financed by commercial institutions, the emerging reluctance of these institutions to provide new loans may revitalize the IMF as a major outlet for short-term credit. Hence, the influence exerted by the IMF on the international monetary system and economic policies of dependent countries is not likely to diminish.

Debt Dependence and Political Exclusion

Thomas (1984) notes that authoritarian peripheral states "are not only supported by the international financial structures of domination but cannot exist without them" (94). Similarly, Dos Santos claims that the international financial institutions appear to condition not only "the orientation of production, the forms of capital accumulation, (and) the reproduction of the economy, (but also their internal) . . . political structures" (1970, 232). These assessments clearly suggest that through their monetary capacity, the international financial institutions perpetuate prevailing political conditions. Whether or not dependence on the international financial institutions has the political impact suggested by the observations of Thomas and Dos Santos, remains an empirical question. The empirical analysis in Chapter 7 examining the impact of debt dependence on political exclusion will provide some insight. But first, a few words about the potential relationship between debt dependence and political exclusion.

The power of the international financial institutions noted earlier is undoubtedly substantial. Additionally, the observations by Dos Santos and Thomas project a mechanistic relationship between the international financial institutions and the peripheral state. However, as emphasized in previous chapters, the peripheral state is not necessarily mechanistically influenced by dependency relation; including debt dependence. Instead, it has "a partially autonomous history" (Bornschiefer and Chase-Dunn 1985, 15).

In the context of debt dependence, this "partial autonomy" is evident by the friction that has historically transpired between the IMF/The World Bank and debtor/dependent nations (cf. Krasner 1985). However, the presence of disputes and disagreements between the IMF/The World Bank, and dependent states should not overshadow the objective - political - outcome of the prevailing relationship between the two. And in order to deliberate the potential for political exclusion precipitated by debt dependence, this section will focus on the impact of debt dependence on the peripheral state without implying a mechanistic relationship between the international financial institutions and dependent nations.

The presence of the state in economic activity and its control of resources in non-core nations was noted in Chapter 2. Given the overdeveloped nature of the state, the

distorted socio-economic formations in peripheral nations makes the state the impetus for producing socio-economic equilibrium. Its propensity to engage in this process and to coordinate internal contradictions is made more conspicuous by the degree of external borrowing that accompanies the role of the state. Hence, like its linkage to private capital and military dependence, this produces another external dimension to the peripheral state. The progression of the debt of peripheral nations noted in the previous section makes this external dimension only more apparent.

Some researchers (e.g., Spalding 1988; Henriot and Jameson 1988) have noted that the conditionalities, austerity policies of the international financial institutions, and dampening investment conditions pose destabilizing political conditions for dependent nations as the combination of these factors aggravate the domestic economic situation. These restraining conditions that accompany the credit peripheral countries rely on illustrates the contradiction that peripheral states encounter. On the one hand, the distorted capitalist formations necessitate an active presence by the state in economic activity. On the other hand, the conditionalities of the market oriented international financial institutions dictate minimal state regulation and consumption.

This objective condition that peripheral states encounter is politically undermining. The outbreak of "IMF riots" in peripheral countries protesting economic conditions and price increases fueled by austerity programs is one indication of the undermining effect on the state. The overall lack of economic opportunity is often exacerbated by the stagnating restraints of austerity and the ability of the state to stimulate growth. Yet, the peripheral economies and the state cannot sustain themselves without the infusion of aid.

Relatively strong semi-peripheral states are more likely to politically withstand the undermining effects of debt dependence without resorting to political exclusion. This is because semi-peripheral nations are less vulnerable to the adversities of debt dependence. Unlike peripheral countries, semi-peripheral nations are economically more diverse (Chirot 1977); and their export-oriented manufacturing base serves as a relatively stable source of foreign exchange.¹⁸ These relatively better structural economic circumstances are less politically destabilizing; hence minimizing the need to politically exclude.

However, peripheral states in general are more vulnerable to the potential for political instability. The lack of any sustaining indigenous industrial or financial

¹⁸This feature of an export oriented manufacturing base among semi-peripheral countries is often referred to as the "new dependency" (Bornschier and Chase-Dunn 1985).

base undermines the ability of the state to withstand the disarticulated economic conditions. The propensity for these economies to be single commodity/primary product export oriented does little to improve the foreign exchange equation of these economies. The lack of non-political (i.e., economic) means to lessen the fiscal burden translates into the need for peripheral states to use political means to ensure political stability. Evans' (1979, 29) observation that because the economically marginal in peripheral nations ". . . are effectively barred from economic participation, to allow them political participation would be disruptive" is, in this instance, a fitting description.

In sum, like transnational penetration and politico-military dependence, debt dependency among peripheral countries has progressively increased. This debt dependency has flourished under the auspices of two major international financial institutions whose operational philosophy coincides with that of core countries. Krasner's (1985, 141) assessment (of the IMF) that "(the) genetic character of the fund, set at its birth, continues to restrict its ability to respond to LDC preferences" can apply to The World Bank as well. From the standpoint of dependent nations, the IMF and The World Bank epitomize and dominate the international financial system. The peripheral state's

dependence and vulnerability vis-a-vis these institutions is hypothesized to aggravate political exclusion.

CHAPTER 6
METHODOLOGICAL ISSUES, MEASURES
AND RESEARCH DESIGN

Introduction

This chapter describes the variables, operational measures, sample and data employed in order to assess the impact of transnational penetration, military, and debt dependence on political exclusion. But first, it is important to note some of the methodological controversies and objections surrounding cross-national research. As such, the first part of the chapter focuses on the utility of cross-national research. Together with this, responses to these objections will also be noted and I argue that this research technique is not unlike other approaches in that it has shortcomings but, at the same time, is a valuable tool to the process of theory-building and testing.

In order to proceed, it may be appropriate to define cross-national research as it will be employed in this study. Melvin Kohn (1987) has identified various types of cross-national research.

The type that is of relevance to this study is where the nation is the unit of analysis. In this type of research the objective is to understand "how social

institutions and processes are systematically related to variations in national characteristics" (715). It also takes into consideration that nations are not isolated entities but are instead, "systematically interrelated." Bornschier and Chase-Dunn (1985) make this point quite vividly when they state that:

We do not contend that, nation-states are closed systems. A unit of analysis does not need to be a closed system. When we compare individuals or schools we know that these units interact with one another and are parts of a larger social context. This unit of analysis in comparative research is any unit in which the process of interest is known to operate (65).

The ensuing research is one that adheres to this view of cross-national research.

The Utility of Quantitative Cross-National Research

It would come as no surprise to students of comparative sociology that along with the increased popularity of quantitative cross-national research, there has also been a body of literature criticizing its utility in the relationship between theory and research. This research strategy encounters critics at a number of levels.

Robert Jackman (1985) and Chase-Dunn (1982) have noted that a common complaint concerning cross-national research is that it is superficial and simplistic. But as Jackman (1985) correctly states, superficiality and simplicity are both relative and regardless of the research strategy, there is no consensus as to at what point

simplicity is overcome. Notwithstanding this, some degree of simplicity is not only necessary but also appropriate since the objective of such research is ". . . not to generate 'comprehensive' descriptions, but rather to develop probabilistic generalizations about causal relationships (or lack thereof) between variables" (166). This process requires some degree of simplification and is thus a theoretical issue and not a statistical one. In addition, given that the concern of such cross-national research is with "probabilistic generalizations" about relationships, the deviation of one or two cases from a general proposition does not in itself invalidate that proposition(s) being examined (167).

Another frequently encountered skepticism revolves around comparing nations that are perceived as not comparable (Chase-Dunn 1982; Jackman 1985). These critics (e.g., Kalleberg 1966; Sartori 1970; Moul 1974) claim that nations are inherently different and cannot be compared unless they share similar attributes and processes.

To this point, Jackman has responded quite cogently and is worth quoting at length:

Sometimes, comparable means similar, and in this sense we might say, for example, that the . . . parliamentary systems of Australia and Canada are comparable, while the legislatures of Canada and the United States are not. But to say that two items are comparable also . . . mean(s) that they can be compared for similarities and differences, in which sense the . . . legislatures of the United States and Canada are comparable. While it may be difficult to compare apples to oranges in the first . . . sense, we can certainly compare their

attributes in the second more general sense (according to such characteristics as texture, color, freshness, acidity), and indeed we all do make such comparisons when contemplating the consumption of one or the other. . . . (C)omparative analysis does not require that the items being compared be of the same class. Such a restriction . . . unnecessarily reduces the range of variability that we seek to understand. . . . Thus . . . to examine, say, the patterns of mobilization or participation across the democratic and authoritarian systems is not to imply a priori that either or both of these processes is identical in the two kinds of systems (168).

A closely related criticism widely directed at cross-national research, and one that is particularly relevant to the present study, is that cross-national research is an inappropriate technique for examining the dependency/world system perspective. As Valenzuela and Valenzuela (1978, 545) opined:

It is meaningless to develop, as some social scientists have, a series of synchronic statistical indicators to establish relative levels of dependence or independence among different national units to test the 'validity' of the model. The unequal development of the world goes back to the sixteenth century with the formation of a capitalist world economy . . .

This criticism of employing "a series of synchronic statistical indicators" to evaluate what is otherwise a historical process is also voiced by Bach (1977) who suggests that "the dynamics of world capitalism by definition calls for an historical analysis" (1977, 811).

Such reasoning implies that because the nature of the world-economic system began to first take shape in the sixteenth century, one cannot use recent data to examine propositions and generalizations of some contemporary

phenomenon derived from the reasoning of the substantive perspective in question (Jackman 1985, 178).

True, we cannot evaluate the validity of the whole model, but this is not the goal of the quantitative studies. Instead, they represent an attempt to evaluate some of the model's implications. . . . The evaluation of such implications is surely important, even though it does not concern the origins of those implications. After all, one can (and does) observe the behavior of the adult without having being present at the birth or through childhood (Jackman 1985, 178).

Research of this nature serves to ascertain whether or not, for instance, the world economic order is organized as is claimed.

Bach (1977, 813) also purports that in order to historically evaluate this dynamics countries must be examined on a case-by-case basis. Bach's reasoning is not only unfortunate but flawed. It is unfortunate because Bach appears to be prescribing exclusivity in world-system research. Such a predisposition hinders more than facilitates research.

The observations by Moul, Bach, and Valenzuela and Valenzuela also typify a broader debate. This one is over the relative importance of 'internal' versus 'external' factors in influencing the socio-politico structure of the periphery. This emphasis on one or the other should not be seen as mutually exclusive or that the former is concrete and substantive while the latter is abstract. In fact, as Chase-Dunn (1982) writes:

The discussion of 'internal' structures of processes, as if the national society were the real concrete locus of

interaction . . . whereas 'external' relations of . . . dependency and exchange are conceived as abstract, is the kind of mystification that dependency theory was intended to overcome. There is nothing abstract about colonialism or imperialism or neocolonialism. There is nothing abstract about the world division of labor. . . . Methodological presuppositions that focus our attention on local realities serve only to obscure these real relations.

While I am in complete agreement with Chase-Dunn on the issue of the relative utility or import of 'internal' versus 'external' factors, the fact remains that there continues to be disagreement on this point and the ability of cross-national research to adequately capture the significance of these 'internal' factors. Nevertheless, differing research strategies (and the findings) should be viewed as complementing each other.

In addition, Bach's observation is flawed because it fails to realize and understand the research technique in question or its objectives (cf. Rubinson 1977; Chase-Dunn 1982). No quantitative research can (or to my knowledge does) claim to test the validity of the entire model of the dependency/world-system theoretical framework.

Another commonly held misconception is that cross-national research is too unsophisticated to enable any demonstration of causation. This misconception is partly inherent in Bach's comments above. What is overlooked is the fact that this problem is not exclusive to cross-national research because causation can never be proven or demonstrated empirically. In fact, that is why we rely on

causal inferences in the social sciences (Jackman 1985, 172). It is by establishing regularities that we then attempt to draw causal inferences about the observations made. So, this criticism is also quite misinformed.

In no way is the discussion above meant to imply that the comparative (cross-national) approach is in any way superior to or, a substitute for other research strategies (for example a historical examination of the origins and development of the world-system). Like Jackman and Chase-Dunn, I would simply hold that such varying research strategies complement one another and should be viewed in that fashion – and not as competing approaches.

Having noted the confusion concerning some of the methodological issues involved in cross-national research, it should be emphasized that quantitative cross-national research is a valuable tool for the social sciences. To be sure, it has its pitfalls. But then, no research strategy is free of shortcomings.

The remainder of this chapter focuses on the model sample, measures, variables, and data.

Model Specification

Hartman and Walters (1985, 437) have made an important observation, and I agree, that too often cross-national research has ignored the theoretical rationale for the time period studied and consequently failed to locate

the research within a historically specific framework. This is unfortunate especially when dependency/world-system theory is being considered because as was noted in the previous chapter (and by Hartman and Walters as well), the relationships being examined are not necessarily invariant over time. On the contrary, they tend to be historically based. As such, it is necessary to restate that this research is confined to a specific historical stage of the world-system, specifically, the period between 1967-75 which was identified as part of the transitional period of the capitalist world-economy.

The relative import of transnational penetration, militarization and indebtedness as well as world-system position on the extent of political exclusion in non-core states in this period is examined and the significance of the findings noted accordingly. Two intervening variables (i.e., the level of economic development and political conflict) that have been established by prior research to be associated with both the dependent and independent variables are also included in the analyses.

The path model in Figure 6 summarizes the relationships examined.¹⁹ Economic development and political conflict are included as intervening variables in

¹⁹For a good discussion and overview of path analysis, see Land (1969) and Davis (1985).

the path. This will enable more accurate assessments of the dependency variables (see ensuing discussion on variables).

Based on the theoretical and descriptive discussion in the previous chapters, the three mechanism of dependency are hypothesized to augment political exclusion. Additional relationships of interest in the path model above include: (1) The impact of transnational penetration, military, and debt dependence on development; (2) The relationship between economic development and political exclusion; and (3) The relationships between transnational penetration, debt dependence, and military dependence.

The relationships among the dependency variables is particularly interesting because it provides insight into whether or not the different forms of dependency relations reinforce each other.

Dependent Variable

Political Exclusion

Through the years, researchers have developed a number of measures of "political development" (see Bollen 1980). Unfortunately, most of these measures suffer from a number of shortcomings. The operational definitions, the relatively small sample size of most of these measures, and/or incompatible measurement periods preclude them from consideration in this research.

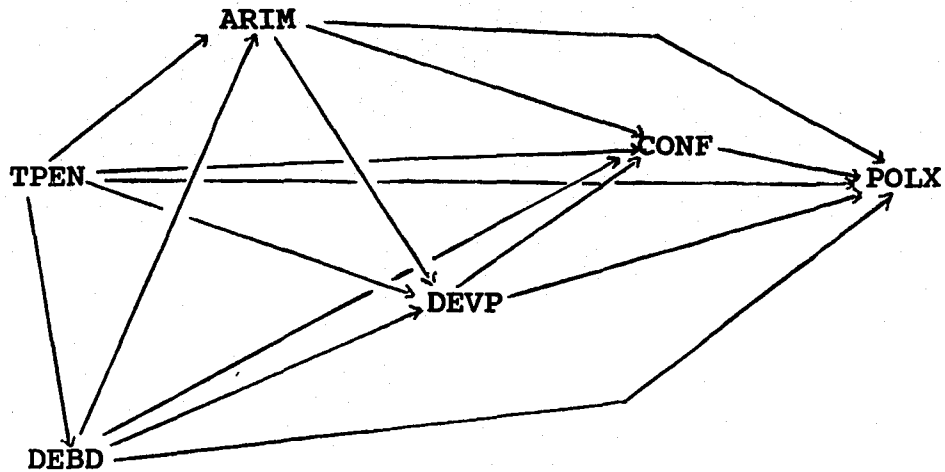


Figure 6. Path Model Summarizing Relationships. Note: TPEN=Transnational Penetration; DEBT=Level of Debt; ARIM=Arms Imports/Total Imports; DEVP=Economic Development; CONF=Political Conflict; POLX=Political Exclusion.

One measure that overcomes these shortcomings is the Gastil "political rights" index and as such, used as the measure of political exclusion. This index estimates the opportunity of citizens in a particular nations to engage in the political process; in determining who governs and what laws or policies will be adopted. In this regard, it captures the level of popular inclusion in the political process of a nation. This index is scaled on a seven-point range where: (1) represents political systems where individuals have the right and opportunity to participate in the political/electoral process. Political parties in these systems may be freely formed for the purpose of competing for public office; (2) Political systems with an "open

process", but one that does not always work well because of extreme violence or poverty or other limitations. However, as is the case with countries coded (1), a leader or party can be voted out of office; (3) Political systems in which leaders and/or representatives are elected, but where coups d'etat, large-scale interference with election results, and often nondemocratic processes occur; (4) Political systems where full democratic elections are prevented by constitutional means or where they have minimal significance in determining/influencing the distribution of power; (5) Political systems in which elections are either closely controlled or limited, or in which the results have little significance; (6) Political systems without elections or with elections involving only a single list of candidates in which voting is largely a matter of demonstrating support for the system. Nevertheless, there is some distribution of political power; and (7) Exclusive political systems that are ". . . tyrannies without legitimacy either in tradition or in international party doctrine" (Taylor and Jodice 1983a, 60-61).

Because this index directly relates to the theoretical concerns of this research, it serves as an appropriate measure. Data for this variable are from Gastil (1980) and are aggregated over a five year period (1973-77) in order to minimize the effect of drastic fluctuations in any given year.

Independent Variables

Transnational Corporate Penetration

In general, dependency/world-system theorists have argued that dependence on foreign investment is one primary mechanism through which the process of unequal exchange, surplus extraction, and thus, the stratified structure of the world-system is reproduced.

The most widely used measure of dependence has been "investment dependence." Through the years, researchers have operationalized this variable differently. However, Bornschier and Chase-Dunn (1985, 59-61) have suggested a comprehensive measure of investment dependence which is now widely accepted as superior to other measures and as such is employed here as well. The measure they suggest is based on the total capital stock of foreign direct investment in each country (1967). Their measure gives an indication of the "proportion of the total capital stock in each country . . . controlled by transnational corporations" (59). The following formula is used to compute the level of investment dependence:

$$DEP (1967) = \sqrt{\frac{KFDI}{K} \times \frac{KFDI}{POP}}$$

where KFDI = the stock of capital controlled by foreign direct investment;

K = total capital stock of a country

POP = total population

This measure of investment dependence overcomes some measurement problems of previous indicators such as the one employed by Timberlake and Williams (1984, 144) in their analysis of the relationship between investment dependence and political repression. Data for this variable are available from Bornschier and Chase-Dunn (1985, 156-159).

World-System Position

The diverse body of literature on dependency/world-system theory has also resulted in some variation in the use of measures in examining hypotheses related to this perspective. Some researchers (e.g., Chase-Dunn 1974) have emphasized and employed continuous measures of dependency (especially transnational penetration), and others (e.g., Chirot 1977; Bollen 1983; London 1987; Bollen and Jackman 1985) have emphasized the collective significance of the world-system (as an international stratification system) and consequently, the significance of world-system position on non-core nations. Recent cross-national studies suggest that world-system classification "may be more discriminating" than a continuous measure like transnational penetration (Bollen and Jackman 1985, 443). But more importantly, as the discussion in the following chapters will show, some theorists (e.g., Chirot 1977) make explicit reference to the variation in political exclusion between peripheral and semi-peripheral nations.

As such, along with examining the relationship between transnational penetration on political exclusion, additional exploratory analyses will be carried out by substituting the transnational penetration variable with a more heuristic and qualitative classification: world-system position.

Snyder and Kick (1979) have developed a classification using data for circa 1965. In this regard, is temporally appropriate for the research considerations here.²⁰ Their classification is based on a block model analysis of four networks of interaction among nations. These networks are trade, diplomatic relations, military interventions and treaty membership. The data of these four networks were analyzed and used to derive three blocks of core, periphery and semi-periphery nations. Dummy variables are constructed for these categories in order to evaluate the relationship between position in the world-system and militarization, debt dependence and political exclusion.

Militarization

The second key set of variables center on the extent of militarization among peripheral nations. For this research, two separate variables are used to represent

²⁰This classification has subsequently been revised by Bollen (1983) and these revisions are accordingly noted in the data examined here.

militarization; and are accordingly analyzed to examine the relationship between militarization and political exclusion.

The first indicator of militarization used is the level conventional weapons imported as a percentage of total imports (1967-70). This measure represents the extent of a peripheral state's dependence on external sources for direct enhancement of its military apparatus. This indicator is particularly pertinent to the dependency argument because dependency theorists have argued that this mechanism of support for the peripheral state reinforces its repressive and exclusionary capacity. An examination of the relationship between levels of weapons imports and political exclusion will therefore, provide some insight into the extent to which the dependence of the state on external sources of militarization is associated with exclusion. Data for this variable are taken from World Military Expenditures and Arms Transfers 1967-1976.

A second variable used to capture militarization is military expenditure as a proportion of central government expenditures (1967-70). Military expenditures are defined as "the amount of money actually spent for (direct) military purposes" including "weapon research and development, to include military aid in the budget of the donor country and to exclude it from the budget of the recipient country, and to exclude war pensions and payments on war debts" (1975, 249). This variable is particularly useful because it

reflects the cumulative level of militarization and as such would capture the relationship between overall increase in military expenditure and political exclusion. Data for this are also taken from World Military Expenditures and Arms Transfers 1967-1976. Central government expenditures reflect all current and capital expenditures plus net lending by a nation (22).

Debt Dependence

The third key independent variable in this research that reflects economic linkage between core-noncore nations is the level of a country's dependence on debt. The variable is measured as the stock of foreign debt (1967-70). This figure reflects the total external debt of a nation which includes public and publicly guaranteed debt. The public debt of a nation refers to "an external obligation of public debtor, including the national government, a political subdivision, and autonomous public bodies" while publicly guaranteed debt involves "an external obligation of a private debtor that is guaranteed for repayment by a public entity" (World Bank 1989, x). Data for this variable are available from the World Debt Tables.

Intervening Variables

Political Conflict

Timberlake and Williams (1984) have shown that political conflict is closely related to government exclusion. As such, in order not to confound the relationships to be examined or inflate the estimates of the key independent variables of concern, political conflict will be included as an intervening variable. Like Timberlake and Williams' research, the frequency of protest demonstrations against the state is employed as a measure of political conflict in opposition to the state. Data for this are taken from Taylor and Jodice (1983b, 64-67). Protest demonstrations is defined as "gathering(s) of people organized for the announced purpose of protesting against a regime, government or one or more of its leaders; or against its ideology, policy, intended policy or lack of policy; or against its previous actions or intended actions" (1983b, 19). These occurrences are coded based on events reported in the New York Times, and where possible, publications specific to the region in question (179).²¹

Economic Development

In addition, it is also important that the level of economic development be included in the analysis. This will

²¹For a detailed evaluation of the data see Taylor and Jodice (1983b, Ch. 6).

allow for an assessment of the relationship between dependence/world system position and political exclusion independent of the level of economic development. The inclusion of this intervening variable is particularly crucial because there is a well-established relationship between development and dependence/world-system position (Snyder and Kick 1979; London and Smith 1988) and "political development" as well (Barrera 1969; Smith 1969; Bollen 1983).

To date most cross-national studies have employed either GNP or per capita energy consumption as an indicator of the level economic development with the preference being energy consumption as it has been found to be relatively more reliable (Bollen 1983). Thus, this research also uses per capita energy consumption (1970) as a measure of economic development. Data for this variable are taken from The Statistical Yearbook (1971).

Sample of Nations

Only nations for which all requisite data are available are included in the analyses (dense non-probability sampling). There are obvious limitations in using this selection technique. Most evident is the non-probability of the sample. However, due to the nature of cross-national research, and the lack of universality in the reporting of data for heterogeneous units such as nations,

this situation is unavoidable. Nevertheless, the biasing effect of this sampling strategy is minimized by the variation in the sample which contains nations at diverse levels of development (see Table 14).²² In fact, it is essential that all nations for which data are available be included in order to adequately capture the non-core nations of the world-system.²³

²²Based on The World Bank (1970) classification 31 nations in the sample constitute low income countries (per capita income of US\$250 and below); 28 are lower-middle income (US\$250-999); 19 are upper-middle (US\$1000-3999); 21 are high-income (4000- and above).

²³Note that the sample does not include eastern European/Soviet Bloc nations. The original intent was to include as many as possible. However, the data for most of these nations for many of the variables concerned have not been reported.

Table 14.—Sample of Nations (N=97)

Afghanistan	Indonesia	Portugal
Algeria	Iran	Rwanda
Argentina	Iraq	Saudi Arabia
Australia	Ireland	Senegal
Austria	Israel	Sierra Leone
Belgium	Italy	Singapore
Benin	Ivory Coast	Somalia
Bolivia	Jamaica	South Africa
Brazil	Japan	South Korea
Burma	Jordan	Spain
Burundi	Kenya	Sri Lanka
C. Afr. Republic	Liberia	Sudan
Cameroon	Libya	Sweden
Canada	Madagascar	Switzerland
Chad	Malawi	Syria
Chile	Malaysia	Taiwan
Colombia	Mali	Tanzania
Costa Rica	Mauritania	Thailand
Denmark	Mexico	Togo
Dominican Republic	Morocco	Trinidad & Tobago
Ecuador	Nepal	Tunisia
Egypt	Netherlands	Turkey
El Salvador	New Zealand	Uganda
Ethiopia	Nicaragua	United Kingdom
Finland	Niger	United States
France	Nigeria	Upper Volta
Ghana	Norway	Uruguay
Greece	Pakistan	Venezuela
Guatemala	Panama	West Germany
Guinea	Paraguay	Zaire
Haiti	Peru	Zambia
Honduras	Philippines	Zimbabwe
India		

CHAPTER 7
ANALYSES AND FINDINGS

The zero-order correlations for all the variables in the analyses (as described in Chapter 6) are presented in Table 15. Political exclusion is positively related to arms imports (.26) and military spending (.09) but the latter correlation is weak. The positive correlation between exclusion and debt dependence (.46) is also consistent with the dependency argument. Transnational penetration is negatively correlated with political exclusion (-.12). This negative correlation does not correspond with the dependency hypothesis. However, world-system position is also inversely correlated with political exclusion; suggesting that exclusion is more prevalent in peripheral nations (with a lower position in the world-system).

The unstandardized coefficients of the multiple regressions for the complete sample are presented in Table 16.²⁴ The measure of militarization used in this analysis is arms imports as a percentage of total imports. The

²⁴In order to enable cross-sample comparisons, all the tables in this chapter report the unstandardized coefficients while the standardized coefficients are reported in the path diagrams which facilitate decomposition of direct and indirect relationships.

Table 15.--Zero-Order Correlations

	POLX	ARIM	MLGE	TPEN	WSTP	DEBD	DEVP	CONF
POLX	1.0	.26**	.09	-.12	-.69**	.46**	-.71**	-.50
ARMI		1.0	.50**	-.36**	-.06	.39**	-.16	.01
MLGE			1.0	-.32**	.29**	.09	.02	.30**
TPEN				1.0	.03	-.03	.31**	-.07
WSTP					1.0	-.48**	.68**	.61**
DEBD						1.0	-.37**	-.20*
DEVP							1.0	.52**
CONF								1.0

Note: POLX=Political Exclusion; ARIM=Arms Imports/Total Imports; MLGE=Military Exp./Central Govt. Expenditure; TPEN=Transnational Penetration; WSTP=World-System Position; DEBT=Level of Debt; DEVP=Economic Development; CONF=Political Conflict.

* Significant at .05 level.
 ** Significant at .01 level.

equations in this model are fitted in stages according to the model specified in Chapter 6. Each variable is successively regressed on the variables preceding it. This path model is reproduced in Figure 7 with the respective standardized path coefficients.

The Intermediate Relationships

Although secondary to the central objective, this section will briefly elaborate on the findings of the intermediate relationships which, as Figure 7 shows, are intervening factors between the primary variables (i.e., penetration, debt dependence, and militarization) and political exclusion.

Table 16.—Multiple Regression Coefficients with Standard Error in Parentheses (N=97)

Dependent Variables	Independent Variables					R ²
	TPEN	DEBT	ARIM	DEVP	CONF	
ARIM	-.161* (.040)	.062* (.014)				.28
DEVP	.630* (.178)	-.266* (.064)	.484 (.424)			.24
CONF	-2.658* (.095)	.007 (.354)	-.006 (.214)	.334* (.052)		.34
POLX	.240 (.179)	.135* (.063)	.726** (.386)	-.725* (.113)	-.345** (.187)	.60

Note: TPEN=Transnational Penetration; DEBT=Level of Debt; ARIM=Arms Imports/Total Imports; DEVP=Economic Development; CONF=Political Conflict; POLX=Political Exclusion.

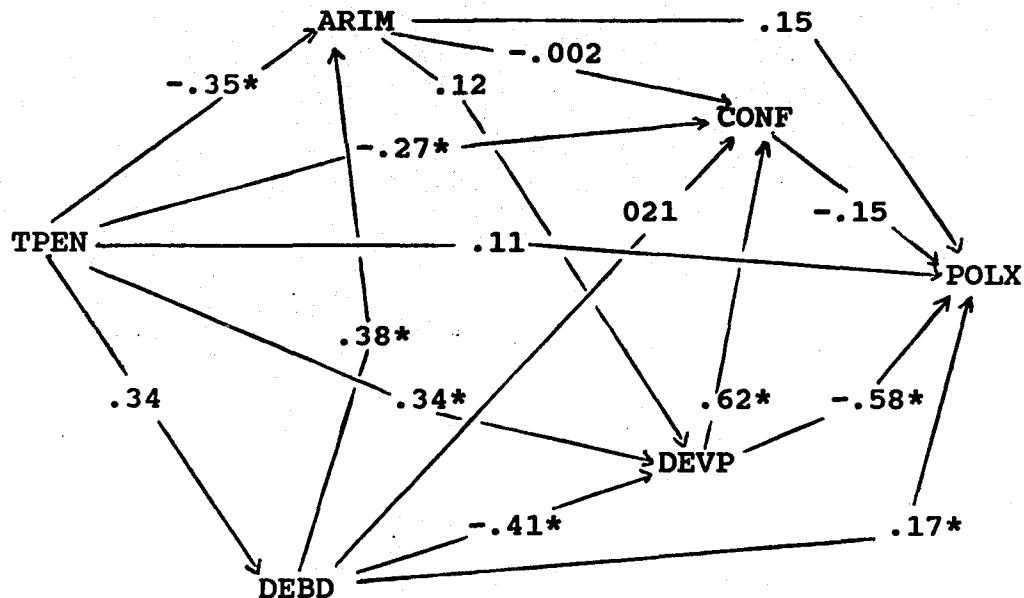
*Unstandardized coefficient at least twice the standard error.

**At least 1.5 times the standard error.

The Impact of Penetration and Debt on Arms Transfer

As the first equation (row) in Table 16 shows, transnational penetration has a direct negative effect on arms transfer (see also Figure 7). The relationship suggests that transnational penetration does not contribute to increased militarization through arms importation.

From this, it can be argued that the importance of transnational penetration and arms transfer as two mechanisms of domination operate inversely of each other and that the former does not reinforce the latter. The association between debt dependence and arms imports is



	Direct	Indirect	Total
Effect of TPEN on POLX:	.11	-.053	= .057
Effect of DEBD on POLX:	.17	.261	= .431
Effect of ARIM on POLX:	.15	-.081	= .069

Figure 7. Path Diagram With Standardized Coefficients (N=97).

equally interesting. While transnational penetration is negatively related to arms imports, debt dependence significantly contributes to increased militarization (through arms imports). Note that both transnational penetration and arms transfers generally operate on a bilateral level (although the data analyzed here are aggregates). That is to say, transnational capital and arms are generally transferred from specific core nations to specific non-core nations. Nevertheless, there is no corresponding positive association between the two. Indeed,

these two mechanisms are inversely related. By contrast, much of the debt of non-core nations is serviced by multilateral organizations and the results suggest that this variable (indebtedness) exacerbates arms imports (which is a bilateral link).

Conventional wisdom would suggest that high levels of indebtedness is often economically and politically destabilizing. The potential economic and political fragilities resulting from indebtedness are only made more severe by increased militarization since such allocations further crowd out resources for other relatively more productive investments. As such, this positive relationship between indebtedness and militarization would appear counter intuitive. However, it is not inconceivable that precisely because of the (potential for) less than desirable growth conditions emanating from indebtedness, highly indebted regimes would pursue military related capabilities that are easily employed for consolidating the state's authority. This explanation cannot be examined here but is quite plausible especially considering the negative effect that debt dependence has on development (see Figure 7). Nevertheless, if militarization can be assumed to be a mechanism by which dependent regimes reinforce legitimacy (cf. Boswell and Dixon 1990), the positive relationship between debt dependence and militarization further suggests

that access to credit enables regimes to consolidated themselves.

**The Impact of Penetration, Debt and
Arms Transfer on Development**

Equation (row) two in Table 16 presents the results of the impact of transnational penetration, debt dependence and arms imports on development. Transnational penetration is positively related to economic development. This relationship contradicts the classical dependency argument that transnational penetration invariably perpetuates underdevelopment rather than development. Instead, this finding is consistent with Kick and Sharda's (1986) finding that penetration "generates infrastructural . . . advances" (59). Note that the standardized partial coefficient for the relationship between penetration and development (Figure 7) is relatively large (0.34) and significant. Decomposition of this relationship via the impact of militarization and indebtedness reveals that the indirect effect is also positive but much smaller (0.16); suggesting that militarization and debt dependence are crucial suppressor variables in this case.

Unlike transnational penetration, increased level of indebtedness tends to dampen development. This finding provides support for the hypothesis articulated by some (e.g, Hayter 1971) that foreign aid in the form of loans

through multilateral institutions such as the IMF and The World Bank does not promote development.

Interestingly, private transnational penetration and debt dependence have opposite effects on development. Since these relationships are secondary to the concerns of this research, I will not attempt to elaborate on an explanation. Suffice it to note that one plausible explanation for the discrepancy in the effect of private capital dependence and debt dependence on development may be the fact that the two forms of capital operate under different structural contexts and constraints. The dependent state's direct control of public debt as opposed to limited regulation and perhaps cooperation with private capital is one example of the differing constraints within which these two forms of external capital operate; and this contextual difference may have implications for their influence on development. Future research directly concerned with the processes of development may need to explore this more closely.

Another significant intermediate relationship centers on the impact of arms transfers on development. The politico-military dependence of nations as reflected in arms imports does not appear to significantly contribute to development in recipient nations.

Developmentalist argue that militarization serves as an outlet for technology transfer, man-power training and skilling whose spillover benefits are positive externalities

for development. Although, the standardized coefficient (0.12) suggests that the two are positively related, the relationship is not significant. In fact, this weak relationship is not surprising and is consistent with the observation above that arms transfers actually operates as a suppressor variable by minimizing the impact of transnational penetration on development. This relationship is also crucial considering the strong negative relationship between development and political exclusion (see Figure 7).

But the finding also does not support the dependency/world-system argument that arms transfers to non-core nations crowds out essential resources for other investments and are therefore detrimental to overall economic development. The analysis here concerns overall development and not sectoral development. This aggregate measure was used primarily to facilitate in illustrating the mediating effect of overall development as it pertains to the relationship between transnational penetration, debt, militarization and political exclusion. The finding here is consistent with that reported in other research (cf. Kick and Sharda 1986). However, Kick and Sharda also examined the impact of arms transfers on sectoral development and found that arms transfers had a significant negative effect on sectoral development.

**The Impact of Penetration, Debt, and
Arms Transfer on Political Conflict**

Before proceeding to the discussion on political exclusion, it may be appropriate to briefly note the impact of the three measures of dependency on political conflict. Recall that in Chapter 3 it was noted that transnational corporations do tend to prefer investing in peripheral nations with a stable political climate. In addition, it was also noted that transnationals have the capacity to influence the state in implementing controls (Bornschieer and Ballmer-Cao 1979). One outcome of this would be the lack of ability to engage in protest activity; and hence, the suppression and lack of political conflict. The results show that transnational penetration is inversely related political conflict (Beta=-0.27). On the other hand, the effects of debt dependence (Beta=0.021) and militarization (Beta=-0.002) on conflict are negligible.

On Political Exclusion

The equation below summarizes the independent effect of all the variables on political exclusion in descending order:

$$Y = a - (DEVP) + (DEBT) + (ARMI) - (CONF) + (PENT) + E$$

Where: Y = Political Exclusion

a = constant

E = residual

The strong negative relationship between development and political exclusion (Beta=-0.58) suggests that economic development has a dampening effect on exclusion and that economically developed nations are less apt to have exclusionary political processes. Debt dependence has the second strongest coefficient in the model. This coefficient is positive and consistent with the dependency hypothesis that debt dependence perpetuates exclusionary political tendencies. Among the three main dependency variables, debt dependence (with a standardized coefficient of 0.17) has the strongest direct relationship with political exclusion. Arms Imports is also positively related to exclusion (Beta=0.15) with transnational penetration being the weakest of the three (Beta=0.11). These results suggest that the three mechanisms of domination in the world-system (debt dependence, arms transfers and penetration) all have the predicted effect on political exclusion.²⁵ These results provide some support for the dependency/world-system arguments. However, the impact of transnational penetration is not statistically significant.

The strongest path in the model is from transnational penetration to debt dependence to development to political exclusion. The cumulative effect of this path is 0.08 while the net direct effect of transnational penetration is 0.11.

²⁵Both the direct and indirect effects of each of the three variables are also presented in Figure 7.

As such, the strongest path appears to have a slightly smaller effect than the direct effect, suggesting that debt dependence and development are mild suppressor variables.

Additional analyses replacing arms imports with military expenditures as a percentage of central government expenditures (MLGE) were carried out. The results are reported in Table 17 and the path diagram with the standardized partial coefficients in Figure 8. Arms transfers more directly capture the dependency component of militarization. On the other hand, military spending as a percentage of central government expenditures goes beyond the dependency component and reflects other dimensions of the militarization process including any domestic production of weapons, and military related technological transfers which are not reflected in the arms transfer data but contribute to the militarization process.

With the exception of the first equation in Table 17, the R^2 for each of the equations increased slightly but are not substantially different from the ones reported in Table 16. The unstandardized coefficients are also strikingly similar (in direction of influence and statistical significance) to those in Table 16.

The following is a brief summary of the intermediate relationships. First, the negative relationship between transnational penetration and militarization remains robust. In fact, transnational penetration continues to exhibit a

similar pattern as in the earlier analysis; having a direct positive effect on development and a negative relationship with political conflict.

Second, as in the previous analysis, the level of indebtedness also remains fairly stable throughout all the equations; again it has a negative effect on development, although the relationships with militarization is not significant.

Third, unlike arms imports, increased military spending has a notable positive effect on economic development. Hence, domestic enhancement of military capabilities may indeed have spillover effects for development, although, as the previous analysis shows, these benefits are less visible when nations disproportionately rely on importing armaments.

The net effect of the independent variables on political exclusion are again summarized in descending order:

$$Y = a - (DEVP) + (DEBT) - (CONF) + (MLGE) + (PENT) + E$$

Where: Y = Political Exclusion

a = constant

E = residual

As in the previous model, development continues to have the strongest (negative) relationship with political exclusion. The order of the net relative effect of the dependency variables on political exclusion also remains the

Table 17.--Multiple Regression Coefficients (N=97)

Dependent Variables	Independent Variables					R ²
	TPEN	DEBT	MLGE	DEVP	CONF	
MLGE	-.250* (.075)	.025 (.027)				.11
DEVP	.652* (.173)	-.246* (.058)	.400 (.224)			.25
CONF	-.176 (.090)	-.006 (.031)	.298* (.111)	.309* (.057)		.39
POLX	.231 (.170)	.164* (.057)	.521* (.213)	-.705* (.111)	-.472* (.192)	.61

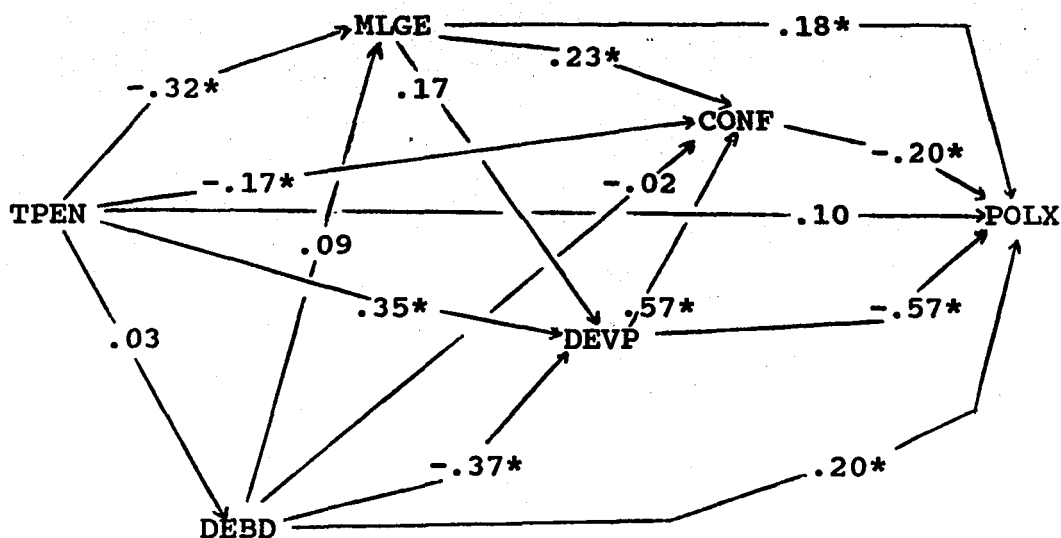
Note: Standard errors in parentheses.

* Unstandardized coefficient at least twice the standard error.

same as the earlier analysis. Debt dependence continues to have a significant positive effect on political exclusion (Beta=0.20). The total effect of debt dependence is also stronger than that of penetration and militarization.

The unstandardized coefficients for the net direct effects of transnational penetration and militarization on political exclusion decline slightly from the previous analysis (see Table 16 and 17) but the relative strength of the relationships remain similar. That is, militarization exhibits a stronger (and significant) relationship with political exclusion than does transnational penetration.

These results would suggest that dependency relations do have an impact on the exclusionary nature of the state. However, the results do not provide convincing support for



	Direct	Indirect	Total
Effect of TPEN on POLX:	.10	-0.25	= -0.15
Effect of DEBD on POLX:	.20	0.26	= 0.46
Effect of MLGE on POLX:	.18	-0.16	= 0.02

* Significant at .05 level.

Figure 8. Path Diagram With Standardized Coefficients (N=97).

the impact of transnational penetration whose net direct coefficients in both models are weak. Debt dependence and both measures of militarization (i.e., arms imports and military spending) exacerbate political exclusion.

The Significance of World-System Position

Additional analyses were carried out by substituting transnational penetration with a more heuristic variable: world-system position. Dependency/world-system researchers

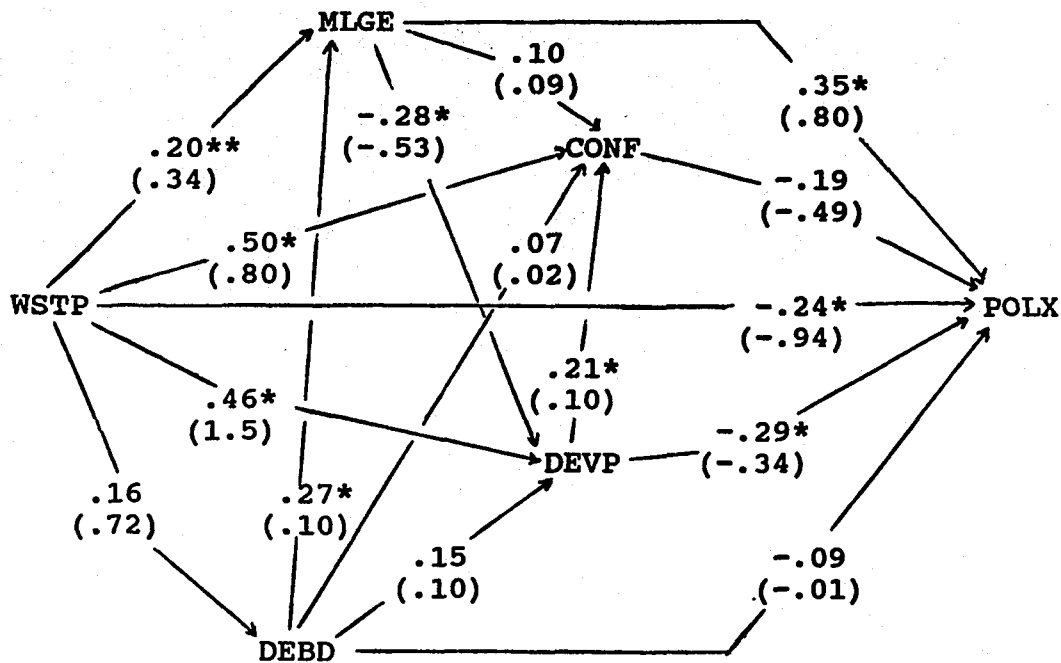
often use these two variables interchangeably. But more importantly, the theoretical discussion on militarization, the state, and political exclusion has also differentiated between semi-peripheral and peripheral nations. Based on this rationale, additional analyses were carried out to explore the significance of world-system position on debt dependence, military spending, and political exclusion. The sample in this analysis consist of semi-peripheral and peripheral nations. The world-system variable was coded as a dummy variable to differentiate between semi-peripheral and peripheral status. Figure 9 presents the path diagram for this analysis.

There are some interesting relationships in this analysis worth noting. Note that world-system position is positively related to military expenditures, development, and debt dependence although the latter relationship is not statistically significant. In Chapter 4, it was noted that Chirot (1977) has argued that semi-peripheral nations are likely to be more militarized than peripheral nations. The positive relationship between world-system position and militarization indicates that semi-peripheral nations are more militarized than peripheral nations. Semi-peripheral nations are also expected to be more developed and at an advantageous position vis-a-vis peripheral nation. Consequently, the positive relationship between world-system position and development is not unexpected.

The significant negative relationship between militarization and development is also worth noting. In the previous analyses the relationship was inconsistent; that is, the coefficients were relatively small and insignificant. In this analysis the negative impact of militarization on development is robust. Debt dependence is positively related to development but the relationship is weak. Both these findings do not provide support for the conventional developmentalist claims that debt, and to a lesser extent militarization, contribute to development.

Turning to the primary concern of this research, world-system position has a net inverse relationship with political exclusion; suggesting that semi-peripheral nations are less exclusionary than peripheral nations. This does not support the assertion of Chirot (1977) that semi-peripheral nations tend to more exclusionary than peripheral nations. Instead political exclusion is greater in the periphery.

The net direct effect of military spending among non-core nations is positively related to political exclusion. This is consistent with results reported in the previous analyses. In fact, the total effect of militarization is greater than that of world-system position and debt dependence. In fact, the direct effect of debt dependence is negligible although its total effect is positive and therefore consistent with the dependency argument.



	Direct	Indirect	Total
Effect of WSTP on POLX:	-.24	-.13	= -.37
Effect of DEBD on POLX:	-.09	.21	= .12
Effect of MLGE on POLX:	.35	.16	= .51

*Significant at .05 level.

Figure 9. Path Diagram for World-System Position with Standardized Coefficients (N=79). Note: Unstandardized coefficient in parenthesis.

Summary

The cumulative significance of the findings reported above provide support for the arguments that dependency relations have an impact on political exclusion.

The first two analyses show that debt, politico-military dependence, and transnational penetration are positively related to political exclusion. However, in both

the analyses, the effect of transnational penetration is relatively weak.

The path diagrams above also illustrate the association among the different dependency variables. For example, the positive relationship between transnational penetration and debt dependence (Figure 7 and 8) suggests that there is a reinforcing relationship between private capital penetration and dependence on debt. Since a country's level of indebtedness is also indicative of its access to credit in the international financial system, it can be argued that favorable investment policies and the presence of private capital penetration enhances a dependent nations prospects for access to credit (cf. Hayter 1971, 31).

The positive relationship between debt dependence and militarization is another example. In this case, access to credit for dependent states may be a monetary impetus for fueling the militarization process. This propensity for debt dependence to increase military dependence is crucial particularly given the strong relationship between military dependence and political exclusion.

These relationships suggest that there is a certain degree of reinforcement of one form of dependency by another. However, the inverse relationship between transnational penetration and militarization implies that the former does not reinforce the latter; but rather,

transnational penetration depresses military dependence and militarization in general.

The last analysis also shows that debt dependence and militarization increase with semi-peripheral status in the world-system. In turn, the total effect of former two dependency variables have on political exclusion is consistent with dependency argument. The results also indicate that semi-peripheral countries are less exclusionary than peripheral.

CHAPTER 8

CONCLUSION

The findings reported in Chapter 7 indicate mixed support for the dependency/world-system arguments regarding the impact of dependency relations on political exclusion. Before discussing some implications, it may be appropriate to briefly summarize key findings.

First, in spite of a direct positive relationship between transnational penetration and political exclusion, the claim that transnational penetration reinforces exclusion is weak. In contrast, world-system position appears to be strongly related to political exclusion. A higher status in the world-system is inversely related to political exclusion. This suggests that semi-peripheral nations are less exclusionary than peripheral nations.

Second, debt dependence exhibits a stronger positive relationship with political exclusion. This relationship provides support for the argument that debt dependence in the periphery tends to exacerbate political exclusion. Considering the importance of the International Monetary Fund and The World Bank in facilitating aid to peripheral nations, this relationship sheds some light on to the

political implications of the international financial system as dominated by core countries.

Third, increased military expenditures and arms imports both are positively associated with political exclusion; suggesting that militarization and politico-military dependence both intensify political exclusion. This highlights the importance of considering the significance of politico-military dependency relations on the peripheral state. Although not explicitly discernible from the empirical analyses, politico-military dependence appears to strengthen the peripheral state. This strengthening of the state can be viewed as a reinforcement of the state's repressive capabilities (Boswell and Dixon 1990); and propensity to be exclusionary.

Fourth, the path diagrams provide some insight on the interrelatedness of the key independent variables. For example, the net direct relationship between transnational penetration and military dependence is robust and negative. In other words, increased transnational penetration does not appear to reinforce militarization. However, penetration does indirectly contribute to militarization via increased indebtedness. As such, although there is no indication that penetration directly reinforces militarization, the intervening circumstance of debt dependence produces a indirect positive effect. The effect of transnational penetration on increased indebtedness lends support to the

arguments of some (e.g., Payer 1974; Hayter 1971) that the availability of credit from multilateral institutions like the IMF and The World Bank (and therefore the level of indebtedness) is influenced by the policies of recipient countries toward private investments.

Fifth, the relationship between debt dependence and militarization is consistently positive; suggesting that debt dependence contributes to military dependence as well.

Theoretical Considerations

In examining the impact of differential forms of dependency relations on political exclusion in the periphery, an attempt was made early in the research to ground the analyses within specific constructs of dependency/world-system theory.

Dependency/world-system theorists like Bergersen (1976), and Chase-Dunn and Rubinson (1977) have emphasized the importance of hegemonic cycles in the world-system in influencing the rigidity of core domination of the periphery. According to these scholars, the intensity of dependency relations is expected to vary according to the distribution of power within the core. For example, core-periphery dependency relations (and core domination) is expected to be more intense during periods of multicentric hegemony; that is, when there is no clear hegemonic power and relatively intense competition in the core. As a

result, the impact of dependency relations on the periphery during such a period would be more evident and severe. On the other hand, these relations would be less direct and intense during periods of unicentric hegemony.

The analysis in the preceding chapter was framed within the context of this assumption. The data employed referred to the period 1967-77. Based on the works of Hopkins, Wallerstein and Associates (1982), Chase-Dunn (1978), and Wallerstein (1984), this period has been characterized by (declining) U.S. unicentric hegemony. Thus, the intensity and impact of dependency relations should be relatively less severe. Considering this context, the results here still provide support for the arguments that dependency relations have direct implications for the exclusionary nature of the peripheral state.

By locating analysis of dependency/world-system propositions within the assumption of hegemonic cycles provided a historical context for the analysis. Unfortunately, in spite of the importance of hegemonic cycles in dependency/world-system theory, most cross-national researchers have ignored specifying this structural contingency. By explicitly specifying this structural contingency, this research has departed from conventional practice. As such, it is imperative that the results also be tentatively interpreted with the context of the hegemonic contingency.

The improving nature of cross-national data should permit additional research in the future that can explore these relationships within the context of other stages of the hegemonic cycle. For example, future research using data for periods characterized by multicentric hegemony should find the impact of dependency relations on the peripheral state to be more significant and critical than the findings here, it would complement this body of research and provide greater support for the internal validity of the dependency/world-system perspective and especially the importance of hegemonic cycles.

In addition, the significance of militarization and military dependence suggests that cross-national research in the dependency/world-system tradition must be more sensitive to the implications of politico-military dependence on peripheral nations. While some recent studies (e.g., Hartman and Walters 1985; Kick and Sharda 1986) have concurrently explored this dimension of dependency with economic dependency, their concern has been with the implications for economic development rather than with the political implications of these differential forms of dependency relations. One notable exception is a recent cross-national study by Boswell and Dixon (1990) which examined the impact of economic and military dependence on rebellion.

Although their cross-national research focused on the relationship between dependency relations and rebellion, it nonetheless parallels this research in one important manner. Their analysis evaluates the significance of multiple dependency relations (i.e., transnational penetration and military dependence). The simultaneous consideration of different forms of dependency relations on the peripheral state and political processes in the periphery is necessary in order to adequately illustrate and evaluate the different dimensions of dependency as emphasized in the theoretical literature.

Suggestions for Future Research

Additional complementary research could facilitate confirming the nature of the relationships examined here. First, replication of this cross-national research with a larger sample size is critical. A larger sample will provide greater variation in the data and confidence in the findings; it also enhances confidence in the theoretical generalizations.

Second, cross-national research must be complemented by case studies examining the political implications of varying dependency relations. Research providing insight into the specific manner in which dependency relations (such as politico-military and debt dependence) may influence political processes in peripheral nations is quite sparse.

Case studies clearly would be useful in this regard. Case studies could also facilitate distinguishing specific processes of dependency between peripheral and semi-peripheral nations.

Third, as consistency in data collection improves, future research must also explore the validity of dependency/world-system propositions using longitudinal data. Time-series or panel analysis for cross-national and case studies will improve understanding of short and long-term effects of dependency relations. Such longitudinal analysis can also help draw comparisons on the effect of dependency relations during differing periods of hegemony in the world-system.

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