



THE IMPACT OF VEBLÉN'S IMPERIAL GERMANY ON STRUCTURALIST APPROACHES AND DEPENDENCY THEORY

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Abstract

This paper identifies the similarities and differences among Latin American structuralism, dependency theory, and Thorstein Veblen's *Imperial Germany* (1915), exploring the connection on such as aspects as path dependency, technology, and economic policy. *Imperial Germany* is similar to many of the principal policy recommendations espoused by the structuralists and dependency theorists. Nevertheless, structuralism is closer to the ideas of the institutionalists and Veblen himself. In conclusions, the structuralists and Veblen's version in *Imperial Germany* agree that an industrial policy ought to be guided by the government, even though Veblen and the institutionalists clearly see social change through technological improvement, which is missing from structuralism.

Keywords: Latin America; structuralism; dependency theory; Thorstein Veblen; economic development.

INTRODUCTION

This paper compares the approaches of the structuralists, dependency theory, and the text of *Imperial Germany*, by Thorstein Veblen (2006) [1915]. To start, a few clarifications. First, the structuralists and dependency theorists do not belong to the same group. In parallel, let me clarify why the comparison is based solely on Veblen's book, *Imperial Germany*.

Latin America enjoys two traditions when it comes to economic development. The structuralist strain (ECLAC school of thought) and dependency theory. The former hold that government reforms are the way to go, while the dependency theorists assert that revolution is the path to social change. Both share the notion of a global capitalism divided into the center (modern and industrial) and periphery (lagging, rooted in the production of primary goods), and the fact that the center's dominance over the periphery explains the latter's condition of underdevelopment. Accordingly, the two schools locate the causes behind underdevelopment primarily in external factors.

The book *Imperial Germany and the Industrial Revolution*, by Thorstein Veblen (hereafter referred to as *Imperial Germany*) is essential to this paper. Any reader of the text might conclude that the ideas contained in it are very close to the theme of economic development. Veblen's style is descriptive, in the sense that he shows how social processes evolve, not only in *Imperial Germany*, but also in his other writings. Veblen stays away from economic policy prescription. Rather, he shows what was done and the economic consequences of industrialization in *Imperial Germany*. I am stating this because Veblen's style makes it hard to discern whether he is advocating for any given economic policy in particular. As such, the aim of this paper is to introduce structuralist ideas about how to promote industrialization, but through a Veblenian lens.

In terms of classifying the structuralists and the dependency theorists, I propose that Raúl Prebisch, Osvaldo Sunkel, Pedro Paz, Celso Furtado, Aníbal Pinto, and Octavio Rodríguez belong to realm of structuralism, as the policy implications of the work done by these authors revolve around reforms via governmental planning. On the other hand, André Gunder Frank, Theotonio Dos Santos, Roy Mauro Marini, Fernando Cardoso, and Enzo Falleto are the dependency theorists, as their visions of change are grounded in the eventual arrival of socialism, even if they hold different beliefs about how to get there. In particular, Frank and Dos Santos lean toward revolution, while Cardoso and Falleto are inclined to the accumulation of dependency associated between the center and the periphery. Others, like Marini, articulate the differences between the capitalism of the center and that of the periphery, studying how this articulation entrenches accumulation in the center countries and exacerbates the riches of the wealthiest in Latin America.

Throughout this paper, it will emerge that I am focusing on Prebisch and Frank. These two authors are the most important references, although they do not have the final say on everything. It is just one way to clearly elucidate the differences between structuralism and dependency theory, under the pretext that the two approaches share the notion that external factors explain the degree to which the periphery is underdeveloped. However, it would be unfair to ignore that their descriptions to some extent explain underdevelopment by appealing to internal factors, too. Even so, they insist that these internal factors are to some measure bound up in external factors emanating from the center. As such, the belief is that the effect of external factors on underdeveloped countries is outsized.

STRUCTURALISM, DEPENDENCY, AND INSTITUTIONALISM: A FEW COMPARISONS TO BEGIN

Latin American structuralism, dependency theory, and institutionalism boast several aspects in common. These commonalities, just like their differences, are clearly outlined in works by Street (1987), Street and James (1982), and Sunkel (1989).

Below, I address the Street and James (1982) paper. In terms of the commonalities between the institutionalist and the structuralist analyses, it emerges that they both share a holistic vision of social phenomena. From the holistic standpoint, the economic system is perceived of as a whole and the human nature of individual behavior is an important element to study. The evolving social process, habitual patterns via cultural conditioning, and the intelligent response to a changing reality are all pieces of the puzzle. Now, when it comes to how this holistic approach is directed, structuralism and institutionalism differ. The former is focused on more on its application to economic development, while the latter has a broader scope of analysis in this regard.

Dependency theory and institutionalism assert that: 1) "the historical revolution, displacing class structure, and modes of political control are central to economic analysis and not foreign to it" (Street, 1982, pp. 1880-1881); 2) there is no reluctance to the value judgment that considers the appropriate strategies to attain socioeconomic development; and 3) the orthodox economy offers no adequate historical explanation of the development process. Now, examining their differences, we find that dependency theory: 1) has lost its interest in domestic and cultural factors that also contribute to economic straggling; 2) it likewise refuses to search for an explanation for technological decadence in the native scientific level; and 3) bottlenecks are only inserted in the ceremonial features (and not instrumental) of local institutions. Moreover, the dependency authors affirm that the social revolution is inevitable, while the institutionalist school asserts that the historical process changes via collective intelligence and institutional innovations.

One last work to consider is by Sunkel (1989), who demonstrated that both institutionalism and structuralism overlap in the belief that social and economic change are achieved through reforms. The economic process is also a socio-historic and evolutionary process. The two approaches related to the current socioeconomic reality through the lens of economic policy. That is to say, a solution ought to be found through the economy policy path. In terms of their differences, Sunkel recognizes that the institutionalists have lodged a fiercer attack on the neoclassical school than the structuralists have, and that this attack revolves around a "philosophical, epistemological, methodological, conceptual, theoretical, and analytical critique" (Sunkel, 1989, p. 524). Institutionalism boasts a theory of human nature, a theory of institutional and technological change, and a criterion of social valuation. Another point where they differ is that the structuralists have a very restricted view of technology, although that does not mean that they ignore it completely. Undoubtedly, the structuralists and the institutionalists could learn a thing or two from each other. For example, the structuralists need to learn more from the institutionalists about the "extensive analysis of institutional characteristics, corporate structure, and the dynamics of the United States economy" (Sunkel, 1989, p. 527). The American institutionalists have paid little attention to the international economy, suggesting that they are nation-State centric; but, the structuralists and dependency theorists focus more on the global capitalist order, something the American institutionalists might want to explore.

Sunkel (1989) warns us why Latin American economists are so disconnected from institutionalism. First, the economics curriculum in Latin America has been and still is grounded in neoclassical economics, which excludes institutionalism and even structuralism and dependency theory. Politically, the Chicago School's recommendations are accepted in Latin America, and governmental planning is considered outdated. Second, the Marxists believe that import substitution industrialization is "pro-imperialist and a bourgeois strategy," forcing the structuralists to defend their viewpoints from these criticisms (Sunkel, 1989; p. 522). For that reason, structuralism has spent a good deal of time defending itself from both the right and the left.

In short, both the structuralist—dependency theory—and the institutionalist approaches² have traits in common with one another, such as the historical analysis of social and economic phenomena; the big difference is that institutionalism is principally concentrated on nation-State institutions, while structuralism and dependency theory are more focused on the global capitalist system and its impact on the periphery. Another difference is the lack of analysis within structuralism and dependency theory as to how institutions (be they ceremonial or instrumental) have prevented technology from really sinking in through the action of agency.

Turning toward the similarities and differences among structuralism, dependency theory, and Thorstein Veblen in his *Imperial Germany* (2006) [1915], this exploration shall add on to the legacy left by Street and James (1982), Street (1987), and Sunkel (1989). The first step to do so is to describe what the structuralists and dependency theory authors understand when they speak of path dependency, and the way they see technological change. This analysis will elucidate their commonalities and divergences.

PATH DEPENDENCY AND TECHNOLOGY

Path dependency essentially claims that early development has an impact on later development. Arthur (1990, p. 92) affirmed that "once random events select a particular path, the choice may become locked-in regardless of the advantages of the alternatives." David (1985, p. 332) held that "historical accidents can neither be ignored, nor neatly quarantined for the purpose of economic analysis; the dynamic process itself takes on an essentially historical character." In other words, history matters, and matters to the structuralists, the dependency theorists, and the institutionalists.

André Gunder Frank (1969) proposed that in order to formulate a development theory and economic policy for underdeveloped nations, it is necessary to learn how their economic past and social history gave rise to their current state

of underdevelopment. Frank asserted that "our ignorance of the underdeveloped countries' history leads us to assume that their past and indeed their present resembles earlier stages of the history of the now developed countries" (Frank, 1969, p. 3). To him, it is evident that economic development cannot be conceived of as a process that takes place over several decades, and that at some point in time, underdeveloped nations reach the level of progress attained by those developed nations. Second, to avoid falling into this trap, Frank leans toward the idea that historical analysis is relevant.

Following along these same lines, he moreover claims that both development and underdevelopment emerge in a simple integrated economic system, in which the British Industrial Revolution is a key driver in explaining the historical nature of underdevelopment in the colonies. While England became the industrialized center of the world, the colonial economies became the periphery specialized in producing food and raw materials. As such, the external effect of the Industrial Revolution, alongside the rise of the elite class in the colonies, who support the primary export model, explains the entrenchment of underdevelopment in the periphery. Although not said in precisely these words, it is clear that dependency theory, through its historical analysis, concludes that underdevelopment is explained by the nature of path dependence.

It is not only Frank (1969, 1979) who incorporated historical roots into dependency theory. So too did Dos Santos, Cardoso, and Falleto; even Prebisch and Sunkel did, but without the undertones calling for revolution (Chilcote, 1984).

Considering the structuralist vision and its approach to historical analysis, Sunkel and Paz (1982) offer a good summary. They share with Frank the idea that development and underdevelopment are the result of accumulation in the capitalist system dating back to the Industrial Revolution. Their historical analysis reveals that the Industrial Revolution affected simultaneously both the center and the periphery, and that it radically transformed their structures, creating, in the center, socioeconomic systems capable of generating dynamic economic growth, while only dependent systems arose in the periphery (Sunkel and Paz, 1982, p. 45). This type of historical argument is defended by Prebisch, too, although he is more interested in showing the long-term impact of the terms of exchange, which decline. The theoretical and historical foundation that empirically demonstrates Prebisch's point is found in works by Baer (1962) and Ocampo and Parra (2003). Moreover, Octavio Rodríguez (2006) provides an explanation about how critics of the trend toward the declining terms of exchange in the long term are mistaken. Both the structuralists and the dependency theorists conceive of underdevelopment in the periphery as the result of a historical process that took off with the Industrial Revolution, and which was reinforced in subsequent decades. In other words, underdeveloped nations have followed path dependency in the midst of a global capitalism dividing the center and the periphery.

The use of historical analysis in *Imperial Germany* is evident, especially when Veblen describes how Germany's neighboring countries left behind the notion of an archaic State policy, while Germany itself sunk further into the vision of a feudally-derived government (Veblen, 2006 [1915], pp. 66-67). The foregoing is one historical reason why Germany came to be a disciplined nation during its imperial age. The vision of discipline from the feudal era has lasted in an interesting fashion, as it does not challenge change, but rather draws on the rigor of this discipline to make it stronger. In the second chapter, Veblen points out that historically, technology loans have prevailed, and that this has been the reality of any technological innovation and the nature of institutional creations: the ability to obtain greater use from a borrowed technology, even more than its creators ever did (Veblen, 2006 [1915], pp. 25-26).

Veblen shows his example of path dependency in *Imperial Germany* by distinguishing between "obsolescence via technological innovation" and "systematic obsolescence." The first is defined as "the competitive displacement of a serviceable appliance or process by a more serviceable one" (Veblen, 2006 [1915, p. 129). The second emerges due to the growth of the industrial community, changes in the work to be done, and an increase in the distribution of the population to be served or employed. Veblen emphasizes that the former type of obsolescence is the kind applicable in Germany, while the latter is to the case of England. For that very reason, Germany ends up more efficient and able to consolidate sustained economic growth.

Veblen's well-known example of the bobtail carriage, used in the British goods traffic, explains that the incompatibilities of this type of transport with modern requirements were not easy to sort out. Veblen wrote: "Yet the remedy is not a simple question of good sense. The terminal facilities, tracks, shunting facilities, and all the ways and means of handling freight on this oldest and most complete of railway systems, are all adapted to the bobtailed car (Veblen, 2006 [1915], pp. 130). Veblen emphasizes moreover that: "Towns, roadways, factories, harbors, habitations, were placed and constructed to meet the exigencies of what is now in a degree an obsolete state of the industrial arts, and they are, all and several, 'irrelevant, incompetent, and impertinent' in the same degree in which the technological scheme has shifted from what it was when these appliances were installed" (Veblen, 2006 [1915], pp. 131).

It is valid to wonder how the structuralists and dependency theorists would consider technology in their research. André Gunder Frank (1979) sustained that while the Industrial Revolution and its technological progress helped replace traditional manufacturing, giving rise to the "putting-out" system in developed countries, in developing nations, traditional manufacturing was supplanted by the industry of developed countries. As such, in the periphery, industrial production for the domestic market is not possible without "growing dependence on the producers of goods and technology made in the centers" (Frank, 1979, p. 131).

It can therefore be inferred that technology borrowing was only possible in countries which, even though they lagged behind during the Industrial Revolution of global capitalism, "relied substantially on domestic production of the necessary means of production like textile machinery. That is, they used British models but local technology for the manufacture of their machinery" (Frank, 1979, p. 131). By contrast, in the dependent periphery, the local production of products and inputs for advanced technology and technological research were prohibitively costly.

Accordingly, the structuralists believe that technology has a benevolent impact on economic development; technological progress makes possible more efficient production methods and enhances labor productivity. However, this is impossible in Latin America, given the international division of labor, and the outcome has been the so-called center-periphery

distinction without benefits and burgeoning inequality for the periphery (Gurrieri, 1983). In the end, Prebisch asserts that this is the reason why technological innovation and industrialization are concentrated only in the center. Prebisch denounces the fact that the center countries do not open their doors to importing manufactured goods, and that there are also close relationships among the interest groups and predominant parties of the center and the periphery. As such, technology, and its consequently high productivity, is appropriated by only the most privileged rung of the social ladder (Prebisch, 1981a).

On this point, there seem to be no differences between the structuralists and the dependency theorists. The two schools clearly sustain that technology is a tool exclusive to the center. Even so, we know that there are differences. To the structuralists, there is a way to overcome this issue: industrialization. On the contrary, dependency theorists defend the notion that it can be overcome via revolution. On this detail, the structuralists are quite likely closer to Veblen and to the institutionalists than they are to the dependency theorists. No reference has been made as to whether the ceremonial or instrumental aspects affect the role that individual and collective agency play in their contact with borrowed technology (in Veblen's terms), as Veblen suggests it.

In the structuralist and dependency schools, just as in the Veblen approach in *Imperial Germany*, there is this idea that early development has effects on later development (path dependency), because the consolidation of the capitalist system through the Industrial Revolution has caused the center-periphery dichotomy, which helps explain why developing nations lag far behind when it comes to technological conditions. Additionally, *Imperial Germany* describes how technologies borrowed and to which some degree of innovation is added can impact economic growth. The foregoing does not suggest that there are any differences between these theoretical approaches, but they emerge in light of the economic policies that each proposes. For that reason, it is important to understand what role economic policy plays, and, specifically, the role of the government in Veblen's version of events in *Imperial Germany*. Likewise, the question as to what the structuralists and the dependency theorists propose in terms of policies begs an answer.

ECONOMIC POLICY

Veblen sees the government as determinant in Germany's industrial progress, asserting that "By wise management on the part of the dynastic statesmen who have had the direction of policy and the control of the administrative machinery, the rapidly increasing material efficiency of the German community, due to the introduction of the modern state of the industrial arts, has successfully been turned to the use of the State, in a degree not approached elsewhere in Western Europe" (2006 [1915], p. 80). Thus, he affirms that under the Prussian state and its political ends predicated on military defense, Germany moved toward the complex advances of commercial and industrial Europe during the nineteenth century (Veblen, 2006 [1915], p. 151). To be clear, Veblen does not advocate for a militaristic State, but rather highlights this aspect to underscore the role of the government.

The success of Germany of 1870 is thereafter a "gain in population, in industrial efficiency, and in military force" (Veblen, 2006 [1915], p. 61). The author points out that its industry is the most important stride forward the country made; he specifies that "the prime mover among these factors of the nation's unfolding power has been its increased industrial efficiency, rather than either of the other two" (2006 [1915], p. 62). It is evident that the government strengthened the military, but it was in the end industrial gains that truly pushed Germany to its dynamic economy.

Another Veblen revelation in *Imperial Germany* is his description of the technology the government requires and how the government promotes technology. Concretely, "whether in peace or in war, that is to say whether as a business proposition or as a proposition in international politics, modern technology does not tolerate a minuscule State" (Veblen, 2006 [1915], p. 176).

Veblen goes on to describe how constraints on international trade, mainly "interference with the regulation of industrial affairs" have come about via protectionist tariffs. domestically, the unification of Germany was done by removing tariff frontiers and obstacles to trade and communication (building railways, subsidies, and control of ship-building) across the different states. Veblen's conclusion about the impact of these policies is reflected in the following quote: "It is true, the country would have been better off, simply in point of material prosperity and in the rate of its economic progress, if no such barrier as the Imperial frontier had been kept up; but the immediate result would have been such a specialization of industry as such a web of trade relations as would have left the community dependent for a large and indispensable part of its current consumption on foreign countries" (Veblen, 2006 [1915], pp. 178-179).

The expression, "it is true, the country would have been better off": does that mean that Veblen was in favor of free trade? Answering this question might just be speculation, but a few pages later, Veblen states that international trade, under a free-trade policy, could have been expected to "result in an effectual colonization in more than one of these countries" [Veblen is speaking here about North American and South American countries] (Veblen, 2006 [1915], pp. 181-182). The author goes on to say that having colonies like England did is not a bad idea, but would end up "as an incidental result, would have made a breach of the peace by Germany or with Germany nearly impossible, since the dependence of the German people on foreign markets in such a case would involve as its counterfoil the like dependence of the other parties to the traffic on the German markets" (Veblen, 2006 [1915], p. 183). Here, there is a difference among Veblen, dependency, and structuralism. To Veblen, both the center and the periphery are dependent on each other (two-way dependence). However, he is emphatic in saying that it was thanks to these protectionist policies that Germany became a self-sufficient community with high levels of industrial efficiency: "A policy directed to making a national industrially self-contained or self-sufficient necessarily depends on measures of inhibition. It is only by obstructing the free ramification of the industrial system across the national frontiers that such self-sufficiency can be achieved" (Veblen, 2006 [1915], p. 242).

Another aspect related to economic policy was the shaping of a welfare state that would support the community. Specifically, "the government policy of tutelage for the working class, in the way of hospital service, insurance, and pension arrangements, and the like," which, rather than being considered an economic loss, are actually an economic gain, because they "offset some of the untoward effects of a businesslike quest of profits on the part of capitalist-employers gifted with a scant regard for the long-term welfare of the community" (Veblen, 2006 [1915], pp. 247-248).

To Veblen, a self-sufficient economy with prosperous industrial growth requires constant technological innovation, government action predicated on protectionist policies that provide an incentive for industrial and technological progress, and policies that procure long-term welfare for the community. But, how do these topics related to the structuralist and dependency theory approaches?

The policy implications are not the same in the structuralist and dependency theory schools, much less can they be reconciled. The structuralists belong to a reformist tradition, while dependency is part of the revolutionary mindset.

First, the reason why dependency considers reforms as unviable is that the center is dominant, via a long chain of metropolises and satellites. For that reason, underdeveloped countries contain their own urban and modern centers, parallel to the rural and lagging peripheries (Chilcote, 1984, p. 88). Marini (2008) does not exclude the structuralist dualism; Marini (2008) does not exclude the structuralist dualism; rather, he explains how the consolidation of the economies in the periphery involves rudimentary and self-industrialized activities in their internal context. Such duality emerges if we understand the link between the peripheral economies and the center, which gives rise to capital accumulation through the global market, which underscores the external context as key. Global market integration makes it possible for the peripheral countries to furnish raw materials and food that drive down subsistence wages and production costs in developed countries. This increases the profit rate in developed nations, for which reason urban cities and a vibrant working class are possible (Marini, 2008, p. 113).

Second, the failure of import substitution industrialization reveals that the "local bourgeoisie is profoundly dependent on their foreign counterparts, and will never engage in a consistent (and necessarily radical) project of autonomous national development." Specifically, the local bourgeoisie managed the import substitution industrialization policy (Saad-Filho, 2005, p. 136).

Third, the social structure of underdeveloped countries is highly unequal, based on a model in which a small set of capitalists have privileged access to the government, thereby excluding both the working and rural classes. Development is only possible in the periphery by way of a radical political change that will bring about socialism (Saad-Filho, 2005, p. 139).

Contrarily, the structuralists hold down their fort by affirming that underdevelopment can be overcome via industrial policy. It cannot be spontaneous import substitution industrialization, as "industrial success necessitates state subsidies, affordable credit, trade protection for infant industries, foreign exchange controls, and the attraction of foreign capital and technology to the growing manufacturing sector" (Saad-Filho, 2005, p. 135). The structuralists claim that industrial policy is restrained by low levels of saving and investment. The lack of saving is explained by low levels of public saving, due to a regressive tax system, and low levels of private investment, given high unemployment and the waste of imported luxury consumer goods. State intervention is necessary to incentivize savings and productivity. In Prebisch's words (1981b, p. 145), "unequal income distribution is the cause of considerable wasted potential in capital accumulation."

When it comes to the economic growth paradox and negative socioeconomic conditions, Gurrieri (1983, p. 343) describes that the structuralists have observed how economic growth alongside spiraling inequality are widespread in Latin America. This is unacceptable to the structuralists. Prebisch underscores that the prevalent forms of the origin, appropriation, and use of the economic surplus must change, because any rise in economic growth ends up concentrated in the privileged classes. For that reason, the transformation must be guided by the social use of the surplus via democratic planning.

Democratic planning is achieved by recognizing the relationship between technology and social change. The Prebisch (1981b) paper describes how technology improvement can promote change. It asserts that technological advances alter the social structure, which is to say, the power structure, to the extent that the mid-low strata improve economically. Likewise, it helps to consolidate the strength of workers' unions. Consequently, the political power of the mid-low strata functions as a counterweight to the political power of the highest echelons. Even so, this does not work with "democracy in appearance but not in substance" (Prebisch, 1981b, p. 147). Accordingly, for the fruits of technology to lead to change, government action is needed. As such, the first step is to reach the government, which is something that Prebisch does not delve into widely in his narrative.

Whether or not Veblen really was a proponent of democratic planning, in the structuralist sense, is a matter of speculation. But, there is a form of surplus redistribution found in Veblen. Conspicuous consumption is reduced by displacing the fortunes of some business people to other forms that continue underwriting industrial productivity (Veblen, 2006 [1915], p. 210).

Technological change can alter the social structure. Veblen elaborates that "the introduction of a new scheme, or the intrusion of new and alien elements into the accredited scheme already in force, is a work of habituation that takes time and special provocation" (2006 [1915], p. 37). As such, there are points where the structuralists and Veblen draw near to one another. But, "habituation" and "special provocation" require human agency to be involved. This detail is left out of both structuralism and dependency theory, as in these approaches, the structure (centers hold exclusive use of technology) conditions and limits the possibilities of agency to access the technology in peripheral nations. This is overdetermination. With that said, according to institutional theory, we should be exploring which conditions—ceremonial or instrumental—are affecting the entrenchment of technological progress, rather than believing that this phenomenon of center and periphery stands in the way of any opportunity of technological borrowing (Veblen, 2006 [1915], pp. 24-25).

Although there are ties between the structuralists and the institutionalists, especially with Veblen and his *Imperial Germany*, the structuralists have a restricted view of technology (Sunkel, 1989). They limit themselves to saying that technology lags in Latin America are explained by the lack of technology transfer from the center to the periphery. No technological borrowing happens. This over-emphasis on external, rather than internal, factors is what separates the structuralists from an internal analysis of technological limitations. It is better to explore not only the external ceremonial conditions, but also the internal, as well as instrumental potentialities. Here, we find in Parada (2006), from a pragmatic standpoint, how technology has been held back in some fields and incentivized in others. This separates the work from authors who hold that any lag is due to external factors. The proposal is that in Parada, we find the beginnings of a Veblenian-structuralist approach, as it were, which is a task still pending for the structuralists, something that has been implicitly recognized by Prebisch and Sunkel. This is an effort for another piece of future research.

Generally speaking, the dependency theorists shine the spotlight on the road to revolution. By contrast, the structuralists assert that with democratic planning—pursued through industrial and technological progress—it is possible to empower the middle and vulnerable classes to counteract the political power of the privileged. Moreover, following Veblen's descriptive style about how Germany left behind its underdevelopment conditions, we might argue that the structuralists are closer to Veblen and institutionalism.

PRE-REQUISITES TO INDUSTRIAL SUCCESS

In several sections of *Imperial Germany*, Veblen recognizes the high level of education in Germany, possible, thanks to the fact that "literacy, both in the higher potency of 'learning' and in the homelier fashion of ability fluently to read print, was relatively common among the German people at the time when the new era came on;" and the "movement for improving and extending the means of popular education was already in good practicable shape" (Veblen, 2006 [1915], p. 77). This knowledge endowment enabled the German people to experience intellectual habituation to the acquisition of the industrial arts, which consolidated an efficient working class structure in the new industry. Veblen emphatically asserted that "the one large asset in the way of natural resources is an industrious, healthy, and intelligent population" Germany had, even far beyond its neighboring countries, with the exception of France and small countries like Belgium (Veblen, 2006 [1915], p. 180).

Veblen points out the difficulties the newly-arrived face when it comes to new innovative changes. These difficulties principally can be summarized as scant means and little experience (Veblen, 2006 [1915], p. 187). We say scant means, because the funds for investment are not immediately available, but to the extent that investment habits in industrial enterprise grow, the need for credit will lead to the rise of the banking system. This suggests an endogenous vision of money under the monetary theory of production that Veblen defends (Dillard, 1980), and is worthy of attention from the structuralists and dependency theorists working on economic development theory. Accordingly, the understanding is that investment leads to saving, and not the contrary. Continuing in this same vein, a lack of experience or knowledge of industrial affairs and legal rights (impeding the free use of new findings) were all eliminated thanks to governmental intervention; the government spread technical knowledge.

In light of its strong level of schooling, Germany lived in a context in which pecuniary behavior was not practicable. First, the industrial companies were used to low returns, thanks to the influence of the old regime. Second, natural resources were idle and relatively low cost. Third, there were competent workers with reasonable wages. Fourth, the break from the old and traditionalist situation in commerce and industry freed them from restrictions and an obsolete style of organization and equipment. To Veblen, there were no "agents of delay" (Veblen, 2006 [1915], pp. 192-193).

Another factor playing into the success of the control and bureaucratic guidance system is the fact that the bureaucratic system was not based on "routines of gratifications and prebends." Corruption was relatively absent. Veblen holds that the German civil service was frugal and parsimonious, with no room for predatory behavior (Veblen, 2006 [1915], p. 233). This trait guaranteed high credibility for the government; accordingly, the government won the loyal affection of the working class, always claiming to be on their side and meeting their demands. In the words of Foster (1981), this entailed a severe minimum dislocation given the favorable cultural scenario toward the end of the government and its consolidation, and, moreover, the role of the agency involved reproducing these virtues of non-predatory behavior.

On these matters, the structuralists have features that can be compared with Veblen's *Imperial Germany*. They recognize that education is important to drive economic growth, but that it is necessary to take into account that higher investment in human capital is not directly related to economic growth: "more human capital may be a necessary or an enabling condition for sustained output growth, but it is clearly not sufficient" (Ocampo *et al.*, 2009, pp. 45-46) For this reason, it is imperative to identify how structural change is attained.

Structural change is pursued via a development policy. The structuralists argue that "the goal is to stimulate the sectors with growing returns while resources are moved from other sectors in the economy" (Ocampo *et al.*, 2009, p. 46). This stimulation has been done via industrial policies in such countries as Germany, the United Kingdom, the United States, Japan, and South Korea, to name a few. In these cases, the government played a crucial role. Accordingly, through the structuralist lens, even if there is a well-educated population, economic momentum will not be achieved if these well-educated people cannot find a job. Education and industrial policy are fundamental to economic growth, pursuant to Veblen's *Imperial Germany*.

The structuralists have identified what Veblen called the difficulties of the newly-arrived to industrialization. In the structuralist literature, these difficulties appear to be low levels of saving, international restrictions, and the need for funding. Consequently, the structuralists advocate for an "industrialization managed" by the government, executing planning (with redistributive and industrial policies) and development banks, which should be the "essential providers of

funding for industrial investment" (Ocampo *et al.*, 2009, p. 132). It is important to underscore that the modern theory of money offers ideas and tools like development banking and industrial policies, and the potential to confront the neoliberal agenda that complains that measures of this sort simply cannot be paid for.

Veblen highlights how smoothly the bureaucratic system ran in Imperial Germany. Its public servants did not expect prebends as an alternative income source. They were really diligent public servants. By contrast, corruption is an issue of considerable magnitude in Latin America. To Prebisch (1981b, p. 99), corruption is the outcome of social inequality, because the with corrupt practices, people in both the public and private sector seek to improve their precarious wages. As a result, one solution to the problem is to foster better and more democratic social planning of the economic surplus (surplus value).

Veblen believes that the educational level of the German population was key to developing technological innovations, but without the guiding hand of government driving forward industrial progress, it does not matter how educated the population is. Education and industrialization are complementary, according to the structuralists. In terms of the newly arrived, in Imperial Germany, the banking system arose spontaneously. The structuralists believe that financing investment requires governmental intervention via development banking, as the banking system has never spontaneously arose, at least not in developing countries. Moreover, the pecuniary context of corruption sparks unnecessary consumption and the predation of public money, which means fewer resources to promote an industrial policy.

It is hard to talk about dependency theory in light of the above precepts, because in dependency theory, these pre-requisites can be attained through revolution; before that point, neither a better education system nor an industrial policy is needed. Surely, there is a task pending for the new generation of Marxists, perhaps to illustrate how the transition period to socialism will look, if it were to happen. Unfortunately, the only interpretations to the problems right now are neoclassical, which have failed. A new path to structuralism and dependency theory could better explain and suggest adequate policies. In this regard, Marini provides a point of departure. He writes that industrialization in Latin America was predicated on rising inequality and market practices that run in the face of competition. First, Latin America made capital accumulation possible by exploiting the labor force, a practice rooted in the early twentieth century with the advent of European immigration and the excess indigenous populations (Marini, 2008, p. 134).

Inequality is also connected to the development of technological progress in economies in the center under the ideology of global capitalist. Developed nations sought investment opportunities in Latin America, introducing obsolete capital (no longer in use in developed countries), which explains the semi-industrial state of peripheral capitalism. Thus, the economies in the region shifted toward exporting primary products with some degree of industrial processing, but not even close to the innovative dynamics of industrial production in the center. To conclude, this will expose Latin American economies to vulnerability to external shocks (global recessions, trade crises, or the influence of imbalanced capitalism). The core problem here is that Latin America does not produce its own demand, but rather produces for demand emanating from the center (Marini, 2008, p. 139).

Finally, Marini underscores the notion that these capital investments coming from the center to the periphery only benefit a small portion of the population, further widening income inequality. Monopolies and oligopolies solidified as direct promoters of this capital investment, and wielded the influence necessary to set the course of economic policy (example, barriers to international trade) on behalf of the government (Marini, 1973, pp. 143-144).

CONCLUSIONS

To compare different notions with Veblen's impressions of economic development, we reviewed his book *Imperial Germany*. Three themes emerge that overlap with the structuralist and dependency theory approaches: path dependency and technology, economic policy, and some of the pre-requisites that go along with industrialization.

Path dependency and technology in Veblen's piece go hand in hand. His example about how the bobtail carriage became outdated in England makes it clear that technology can become obsolete systematically or can be replaced by innovation. Through innovation, which entails members of the new culture adopting the borrowed technology, Veblen demonstrates that human agency does indeed have a role to play. This idea is missing from the structuralist and dependency theory schools. The structuralists and the dependency theorists argue that once the Industrial Revolution began, capital accumulation divided the world into two: the center and the periphery. The former is highly industrialized, modern, and home to technological progress; the second is reduced to producing raw materials, commodities, and food, and is left out of technological progress. This moment in history has impacted economic growth in Latin America. Clearly, institutionalism and Veblen share with these approaches the use of historical analysis; nevertheless, no role is given to agency in the structuralist and dependency theory traditions.

When it comes to economic policy, the structuralists are closer to Veblen in *Imperial Germany*. The government must take on a fundamental role in designing and executing industrial policy, protectionist measures for nascent industries, income redistribution to prevent conspicuous and inefficient consumption, and corruption. All of these policies must be complemented by investment in education. Contrarily, the dependency theorists maintain that social revolution is the only way out for underdeveloped countries. Socialism is not brought up in Veblen's *Imperial Germany* at all. But, in the author's thinking, there are clearly signs of a monetary theory of production, a point that the structuralist and dependency theory authors ought to explore. Even the revolutionary plan demands an understanding of peripheral capitalism.

The most important finding of this paper is that the structuralists do not have a theory of institutional change. Prebisch did share some intuitions in *Capitalismo periférico*, there is still a gap in structuralism yet to be mined. Studies on the state of technology should start to gain ground in the context of developing countries, rather than being seen as a tool exclusive to countries in the center. It is important to study which types of behaviors—ceremonial or instrumental—are affecting the

socioeconomic and technological march forward in Latin America, because technology is an intermediary between human agency and the material transformation required to change our thought habits. If the forces internally impeding social progress are not studied, we are condemned to ignorance of a vision of institutional change that could be applied to developing countries.

The springboard for a structuralist-Veblenian combination is rooted in Parada (2006). basically, this approach should lean toward integrating the role of agency, technology, and a theory of institutional change, with the already-recognized structuralist explanations, but also remembering that it is not only external factors that affect developing countries, but also internal. Likewise, a chartalist vision should be included. Thus, investment leads to savings and not vice versa. The introduction of this chartalist approach would bring with it as an implication a heterodox macroeconomic alternative distinct from the dominant neoliberal program in Latin America. Finally, it is essentially so study topics pertaining to the social structure of accumulation in Latin American nations. This means that the political (is it a laissez-faire government or a promoter of basic social welfare?) and the economic (is the capitalist in a dominant position over the laborer?) in the social structure of accumulation, and, primarily, the institutions shaping this set of social relations, must be explored in order to see how an industrial policy can foster change.

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² Although mentioned by Sunkel (1989), there are three papers published in 1952 by Santiago Macario, a disciple of Clarence Aytes. These three papers were published in *El Trimestre Económico*. See the full references section (Macario, 1952a; 1952b; 1952c) at the end of this paper.



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