

Dependency theory

Dependency theory of development is an international relations theory that¹ examine the relationships and interactions often between Global North and Global South states, where the Global South states are often reliance on the Global North for trade, economic aid, etc... Viotti & Kauppi explain dependency in the following way: “Low-income countries of the South economically subordinated to the advantage of high-income countries of the First World or North; in class analytical terms, workers and peasants subordinated and exploited by capital-owning classes, the *bourgeoisie*”. There have been other definitions of dependency theory. Below, for example, is one video that explains dependency theory, and makes arguments as to what they view as strengths and weaknesses of dependency theory.

Marxist thought is the foundational point of dependency theory, the more modern formations of dependency theory can be traced back to the 1950s, to the work of Raul Presbisch. Presbisch, in studying international relations and issues of development, with particular attention to Latin American states, noticed something interesting. Namely, “Prebisch and his colleagues were troubled by the fact that economic growth in the advanced industrialized countries did not necessarily lead to growth in poorer countries. Indeed, their studies suggested that economic activity in the richer countries often led to serious economic problems in the poorer countries. Such a possibility was not predicted by neoclassical theory,

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which had assumed that economic growth was beneficial to all (Pareto optimal) even if the benefits were not always equally shared”.

And thus, because of the lack of explanation of this economic imbalance, and economic conditions that arise when the rich states were getting richer, Prebisch looked to explain what was happening. What he initially argued was that poor countries were sending their raw materials to the Global North, who in turn would turn these into finished products, then sell them back to the poorer states. These products were worth much more as finished goods, than they were as unfinished products. More specifically, “The formulation of a distinctly Latin American school of development is intimately related to the ECLA. In what is known as the “ECLA Manifesto,” R. Prebisch, who was the head of the ECLA, criticizes the outdated schema of the international division of labor. Under such schema, Latin America was asked to produce food and raw materials for the great industrial centers, and in return, Latin America would receive industrial goods from these centers. To Prebisch, this scheme was at the roots of the developmental problem of Latin America. Reliance on exports of food and raw materials would inevitably lead to a deterioration of Latin America’s terms of trade, which would further affect its domestic accumulation of capital”.

Because of this, Prebisch argued that the economically poorer states should shift their economy to one of import-substitution, which would allow them to avoid purchasing these products from the richer states, and instead, produce them domestically, and then could themselves sell them on the international market. However, scholars argue that there were some issues with this policy recommendation for global south countries. Ferraro argues

that “Three issues made this policy difficult to follow. The first is that the internal markets of the poorer countries were not large enough to support the economies of scale used by the richer countries to keep their prices low. The second issue concerned the political will of the poorer countries as to whether a transformation from being primary products producers was possible or desirable. The final issue revolved around the extent to which the poorer countries actually had control of their primary products, particularly in the area of selling those products abroad. These obstacles to the import substitution policy led others to think a little more creatively and historically at the relationship between rich and poor countries.”

Speaking on the foundation of dependency theory, it is important to note that “The dependency school was also a response to the crisis of orthodox Marxism in Latin America in the early 1960s. From an orthodox communist viewpoint, the Latin American countries had to go through the stage of “bourgeois” industrial revolution before they could wage any “proletarian” socialist revolution. However, the Chinese Revolution in 1949 and the Cuban Revolution in the late 1950s showed that the third world countries could skip the stage of bourgeois revolution. Attracted to the Chinese and the Cuban model of development, many radical Latin American researchers wondered whether their own countries could also move into the stage of socialist revolution” (So, *The Dependency and World-Systems Perspectives*).

Many of the issues that Global South states have had can be traced to the Post-WWII time period. It was then, in 1944, that international organizations such as the World Bank, the IMF, and the GATT (which is today the World Trade Organization), formed. these organizations were

created to not only expand upon economic cooperation, but many critics have argued that they were economic tools by rich countries, to promote capitalism and neo-liberal economic principles in the international system. However, in the early decades after World War II, the same Global North states that were advocating neoliberalism were at times themselves establishing protectionist policies for their own economic sectors. As Baylis, Smith, & Owens write: “An egregious example of the new protectionism was the Multifiber Arrangement of 1973, which placed restrictions on the textile and apparel imports from developing countries, blatantly violating the GATT principle of non-discrimination”.

Thus, many Global South states, in the decades after the formation of these international organizations, spoke out many of the policies through these entities. For example, it was in the 1970s that Global South states spoke out at the United Nations General Assembly on a “New International Economic Order”, challenging the existing economic model, that they viewed as continued to not only keep Global South states reliant on the North (the argument of dependency theory), but also that the Global North was operating according to rules that they saw would help them, even if it was at the expense of the Global South economies.

Theoretically, the theory was well-received in the Global North by activists and those marginalized in society, for they saw the problems of U.S. domestic and foreign policy, whether towards minority groups domestically, or due to their political, economic, and military policies.