

IMPORTANT FOR SOCIOLOGY PAPER-1

DEPENDENCY THEORY

Dependency Theory developed in the late 1950s under the guidance of the Director of the United Nations Economic Commission for Latin America, Raul Prebisch.

Prebisch and his colleagues were troubled by the fact **that economic growth in the advanced industrialized countries did not necessarily lead to growth in the poorer countries.**

Indeed, their studies suggested that economic activity in the richer countries often led to serious economic problems in the poorer countries.

Prebisch's **initial explanation** for the phenomenon was very straightforward:

1. **Poor countries exported primary commodities to the rich countries** who then manufactured products out of those commodities and sold them back to the poorer countries.
2. **The "Value Added" by manufacturing a usable product always cost more than the primary products** used to create those products.

Therefore, poorer countries would never be earning enough from their export earnings to pay for their imports.

Prebisch's solution was similarly straightforward:

1. Poorer countries should embark on **programs of import substitution** so that they need not purchase the manufactured products from the richer countries.
2. The **poorer countries** would still sell their primary products on the world market, but their **foreign exchange reserves would not be used to purchase their manufactures from abroad.**

Most dependency theorists regard **international capitalism as the motive force behind dependency relationships.**

Underdevelopment theory is particularly associated with Paul Baran's *The Political Economy of Growth*, and even more with the 1960s and 1970s work of **Andre Gunder Frank.**

It was further developed in the 1970s by Walter Rodney, Samir Amin and Arghiri Emmanuel.

The starting point for this analysis was an acceptance that capitalism and imperialism were somehow parasitic, and that this was most clear in the case of the underdeveloped world.

The Central Propositions of Dependency Theory

While there are various theories of Dependency, there are **certain propositions, which form the core of dependency theory.**

These propositions include:

1. ***Underdevelopment* is a condition fundamentally different from *undevelopment*.**

The **latter term** simply refers to a condition in which resources are not being used.

Underdevelopment refers to a situation in **which resources are being actively used, but used in a way which benefits dominant states and not the poorer states** in which the resources are found.\

2. **The distinction** between underdevelopment and undevelopment places the poorer countries of the world in **a profoundly different historical context.**

These countries are not "behind" or "catching up" to the richer countries of the world.

They are not poor because they lagged behind the scientific transformations or the Enlightenment values of the European states. **They are poor because they were coercively integrated into the European economic system** only as producers of raw materials or to serve as repositories of cheap labor, and were denied the opportunity to market their resources in any way that competed with dominant states.

3. **Dependency theory suggests that alternative uses of resources are preferable** to the resource usage patterns imposed by dominant states..
4. **Dependency theorists rely upon a belief that there exists a clear "national" economic interest which can and should be articulated for each country.**

In this respect, dependency theory actually shares a similar theoretical concern with realism.

What distinguishes the dependency perspective is that its proponents believe that this national interest can only be satisfied by addressing the needs of the poor within a society, rather than through the satisfaction of corporate or governmental needs.

5. **The diversion of resources over time** (and one must remember that **dependent relationships have persisted since the European expansion beginning in the fifteenth century**) is **maintained** not only by the **power of dominant states**, but also through the **power of elites in the dependent states.**

Dependency theorists argue that these elites maintain a dependent relationship because their own private interests coincide with the interests of the dominant states.

These elites are typically trained in the dominant states and share similar values and culture with the elites in dominant states.

The elites sincerely believe that the key to economic development lies in following the prescriptions of liberal economic doctrine.

Lenin's Theory of Imperialism

Lenin's views on imperialism are contained in his well known work. **Imperialism: "The Highest stage of Capitalism."**

Basing himself on the laws of the emergence, development and decline of capitalism, Lenin was the first to give a profound and scientific analysis of the economic and political substance of imperialism.

Its characteristic features are, capital and its **consequences** are threefold:

1. It results in the **exploitation of colonial peoples**, whom it subjects to the capitalist **law of increasing misery and whose liberty it destroys.**
2. It **produces war** between the nations, since it substitutes international competition for competitions inside the nation, and in the clash of combines and powers **seeking markets and territory** war becomes inevitable.
3. And ultimately **it brings about the end of capitalism and the emergence of the new order**, since with the arming and military training of the worker's war which begins as **national wars will end as class wars.**

According to Lenin, **imperialism is moribund (declining) capitalism**, containing a number of contradictions which ultimately destroys capitalism itself:

1. There is firstly the contradiction or **antagonism between capital and labour**. Capital exploits labour and brings the **exploited workers to revolution.**
2. Secondly, there is **contradiction between various imperialist powers** and industrial combines for new territories, new markets and sources of raw materials.
3. Finally, there is also the **contradiction between the colonial powers and the dependent colonial people** which arouses revolutionary outlook and spirit among the latter as happened in India and other countries.

www.YouTube.com/SleepyClasses



Sleepy Classes

Andre Gunder Frank is one of the earliest dependency theorists.

According to Andre Gunder Frank, **underdevelopment is not a transitional stage, rather than due to the relationship between the centre and periphery.**

Which has been **continuously generating a process of ‘development of underdevelopment’.**

1. According to this view, **the capitalist system has enforced a rigid international division of labor** which is responsible for the underdevelopment of many areas of the world.
2. The **dependent states supply cheap minerals, agricultural commodities, and cheap labor**, and also serve as the **repositories of surplus capital, obsolescent technologies, and manufactured goods.**
3. **These functions orient the economies of the dependent states toward the outside:** Money, goods, and services do flow into dependent states, but the allocation of these resources are determined by the economic interests of the dominant states, and not by the economic interests of the dependent state.
The most explicit manifestation of this characteristic is in the doctrine of comparative advantage.

There are still points of serious disagreements among the various strains of dependency theorists and it is a mistake to think that there is only one unified theory of dependency.

Nonetheless, there are some core propositions which seem to underlie the analyses of most dependency theorists.

Banana Republic

The term was coined in a **1904** book of fiction by **O. Henry**, an American writer.

He wrote “Cabbages and Kings”, a collection of short stories. One, “The Admiral”, was set in the fictional land of Anchuria, a “small, maritime banana republic”. It is clear that the steamy, dysfunctional Latin republic he described is based on Honduras.

It refers to the fruit companies from the United States that came to exert extraordinary influence over the politics of Honduras and its neighbours.

Giants such as the United Fruit Company moved in and built roads, ports and railways in return for land. In 1911 the Cuyamel Fruit Company, another American firm (which was later bought by United), supplied the weapons for a coup against the government of Honduras, and prospered under the newly installed president. In 1954 America's Central Intelligence Agency

(CIA) backed a coup against the government of Guatemala, which had threatened the interests of United.

It thus means a country in which foreign enterprises push the government around or “**a small nation, especially in Central America, dependent on one crop or the influx of foreign capital**”

Theotonio Dos Santos described a “**new dependency**”.

Which **focused on both the internal and external relations of less-developed countries of the periphery**, derived from a Marxian analysis.

Former Brazilian President **Fernando Henrique Cardoso** wrote extensively on dependency theory while in political exile during the 1960s, arguing that it was an approach to studying the economic disparities between the centre and periphery.

Cardoso summarized his version of dependency theory as follows:

- There is **a financial and technological penetration by the developed capitalist centers** of the countries of the periphery and semi-periphery;
- This **produces an unbalanced economic structure both within the peripheral societies and between them and the centers**;
- This leads to **limitations on self-sustained growth in the periphery**;
- This **favors the appearance of specific patterns of class relations**;
- These **require modifications in the role of the state** to guarantee both the functioning of the economy and the political articulation of a society, which contains, within itself, foci of inarticulateness and structural imbalance.

Samir Amin suggested that **there was an international division between central and peripheral capitalist formations**.

This **involved two modes of accumulation, autocentric** or self-generating accumulation in the centre and **extraverted** accumulation in the periphery.

For the latter, this meant three “distortions” from central capitalism:

1. A crucial **distortion toward export activities, which absorb the major part of capital arriving from the center**.
2. A **distortion toward tertiary activities**, which arises both from the special contradictions of peripheral capitalism and from the original structures of the peripheral formations; and

3. A **distortion in the choices of branches of industry, toward light branches,** together with the utilization of modern techniques in these branches.

As the **current system reduces countries of the periphery to being the subcontractors of central monopoly capital,** the only way forward is to *delink* from the global system.

Delinking for Amin, means to compel the system to adjust to your needs, rather than simply going along with having to unilaterally adjust to the needs of the core.

Criticisms of Dependency Theory:

1. The principal criticism of dependency theories has been that the **school does not provide any substantive empirical evidences** to support its arguments.
There are few examples that are provided but **many exceptions are there which do not fit** in with their core periphery theory, like the newly emerged industrial countries of South East Asia.
2. It has also been said that **dependency theories are highly abstract** and tend to use homogenising categories such as developed and underdeveloped, which do not fully capture the variations within these categories.
3. The **division of world into the centre and the periphery, the metropolis and the satellite, the developed and the underdeveloped**, as has been done by the dependency theorists, is quite **arbitrary and even misleading**.
It is indeed difficult to accept that all the underdeveloped countries, including the **local leviathans like India, Brazil, Mexico, South Africa, etc., are equally dependent** upon the developed.
4. Another point of criticism is that the **dependency school considers ties with multinational corporations as detrimental**, while one view has been that **they are important means of transfer of technology**.
5. Some of the **Eurocentric biases are inherited** in these theories of dependency school: for example **they assume that industrialisation and possession of industrial capital are crucial requisites for economic progress**.
There is an **inability to think beyond the state as the primary and essential agent** of economic development.
6. Another major criticism includes that they **do not reflect the changed socio-economic and political situations of the contemporary world**, where the developed nations are closing their borders for trade and capital.