Dependency Theory

Dependence - a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of interdependence between two or more economies, and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while other countries (dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development (Dos Santos, 1970).

Dependency Theory

- Started around the 1950s
- Answer to the Modernization school
- Took hold in the 1960s and 1970s partly because of the revolutionary atmosphere of the period
- Classical Dependence (1950s)
- New Dependency Studies (1970s)

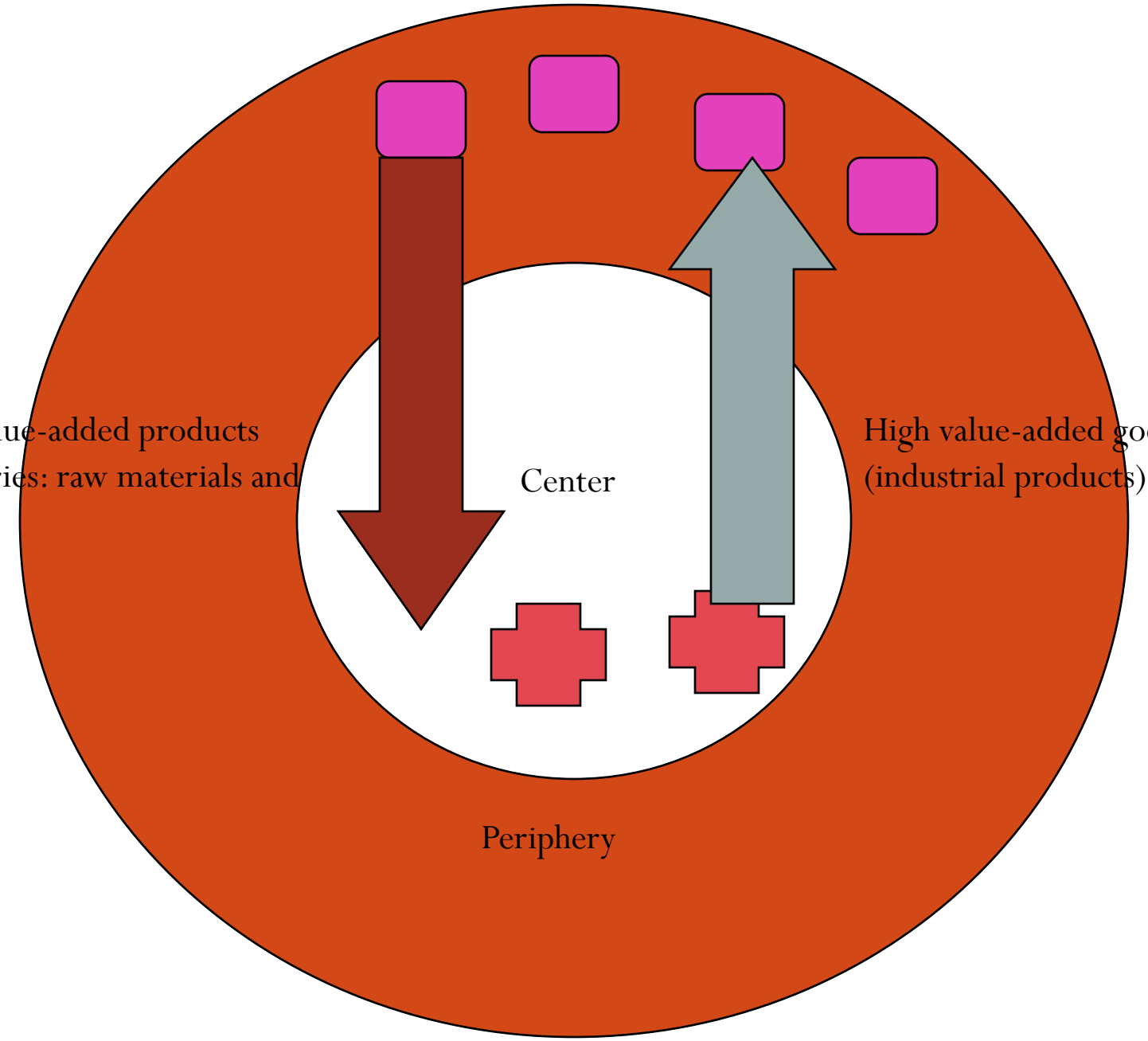
http://www.uni-giessen.de/geographie/presse/images/Slums.jpg

Intellectual Heritage of Classical Dependence

- United Nations Economic Commission for Latin America (UN-ECLA) experience in the 1940s and 1950s
- "Neo-Marxism"

Raúl Prebisch and ECLA

- ECLA did not produce the fruits of neoclassical trade theory
- Prebisch "criticized the outdated schema of the international division of labor"
- Trade process produced declining terms of trade for the peripheral countries


Low value-added products
(primaries: raw materials and
food)
Center
High value-added goods
(industrial products)
Periphery

Neo-Marxism

1. Neo-Marxists see imperialism from the "peripheral" point of view, focusing on the indictments of imperialism on Third World development. This deviates from the conventional study of imperialism from the "center's" perspective
2. Orthodox Marxism advocates a strategy of 2-stage revolution: A bourgeois revolution then a socialist revolution. Neo-Marxists feel that the situation is already ripe for socialist revolution, and they want it immediately. They perceive the bourgeoisie as the creation and tool of imperialism, incapable of fulfilling its role as the liberator of the forces of production
3. If socialist revolution occurs, orthodox Marxists would like it to be promoted by the industrial proletariat in the cities, while neo-Marxists are attracted to the path of socialist revolution taken by China and Cuba (Foster-Carter)

Marxism vs Neo-Marxism

- Essentially a critique of Marx's ideas
- Whereas Marx described capitalist propagation as a 'progressive' rather than a 'regressive' movement, neo-Marxists relied almost solely on the negative and exploitative aspects of the system

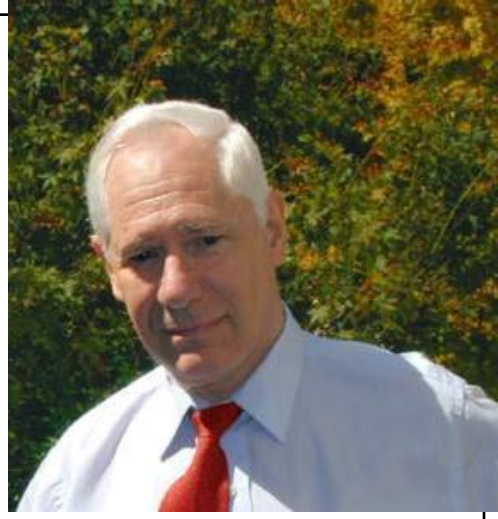
- Marx describes the British “double-mission in India” as first destructive, then “regenerating the annihilation of old Asiatic society, and laying the material foundations of Western society in Asia” (Marx 1853).
- Marx and Engels expounded that “The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilization” (Marx and Engels)

- Unlike the “neo-Marxists”, Marx approved of the expansion of capitalism without discriminating between benevolent or destructive practices, since the end result would be the same: “the materialization and eventual realization of the socialist world order” (Polychroniou 1991, 38).

Paul Baran

- Born 1910 in Russia, died 1964
- Taught at Stanford - only tenured Marxist professor during McCarthyism
- Father of "neo-Marxism"
- Concept of "economic surplus"
- Views of "monopoly capitalism"& "colonial drain"
- Natural state of monopoly capitalism ≠ stagnation

e Gunder Frank



- Born 1929 in Germany, died 2005
- Economic historian and sociologist
- Ph.D. Economics from Chicago
- "patched-up" some of the holes of early neo-Marxist analysis of capitalist trade and exchange
- His analysis is closer to Marx's dual-purpose (of capitalism)

Andre Gunder Frank continued…

- Metropolis-Satellite Structure
- State and local level application
- Time-dimension of dependency
- “development of underdevelopment”

Arghiri Emmanuel

- More coherent and consistent methodology
- Theory of "unequal exchange" (*not new)- process of exploitation through international trade analysis
- Unequal rate of labor costs in international markets → exploitation through lower compensation → low organic composition of capital in poor countries (Polychroniou)

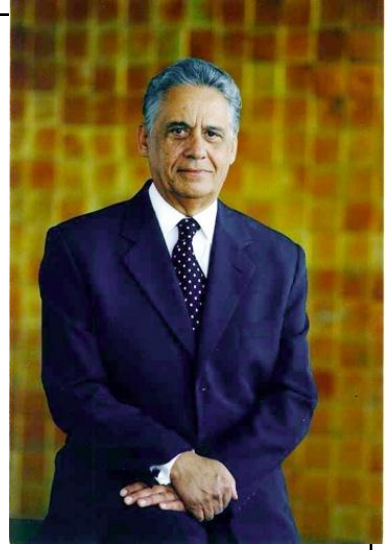
Criticism of neo-Marxist or "Classical" Dependency Studies

- Lack of intellectual and scientific rigor
- Political blame
- Too external of an analysis
- Modernists: "All purpose explanation for everything that is wrong with third world countries" (So)
- Propaganda & Rhetoric
- Inability to evolve with the shortcomings and criticism

“New” Dependency Studies

- Need to respond to the criticisms that Classical dependence could not answer
- Cardoso
- Gold

rnando Henrique Cardoso



- Laid the cornerstone of non-Marxist dependency theory
- Cardoso's methodology: (So)
  - "historical-structural"
  - Inclination to internal analysis
  - Open-ended process of dependency

Associated Dependent Development

- Cardoso: different from the single-track outcome of stagnation and backwardness
- Similar to Marx's dual purpose of capitalism, without heavy theoretical grounding in surplus value and capitalist processes of production: "a new phase as a result of the rise of MNCs, immersion of industrial capital, new international division of labor"

Thomas Gold

- Like Cardoso, heavy on study of history
- Taiwanese development
- Dynamic development without abandoning basic assumptions of dependency: classical → dependent development → "dynamic dependency"
- Emphasis on *internal structures* that favored good economic disposition in the future → deepening industrialization

Difference between New and Classical Dependency

- "real world" and "historical" analysis
- Open-ended outcome
- More optimistic