SOCI 423: THEORIES OF SOCIAL DEVELOPMENT

SESSION 6:
THE HISTORICAL CONTEXT AND THEORETICAL HERITAGE OF DEPENDENCY THEORY

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2014/2015 – 2016/2017

SESSION OVERVIEW

- This section introduces students to the historical context in which Dependency Theory thrives and the intellectual heritage underpinning the Dependency School.
- **Goal/Objective**: by the end of the session, the student will be able to:
- Explain the historical context of the Dependency School.
- Understand the intellectual heritage basis of Dependency Theory
- Define dependency theory
- Explain the basic propositions of Dependency Theory

SESSION OUTLINE

- Historical context of Dependency theory
- The intellectual heritage of Dependency School
- Definitions of Dependency theory
- Central Propositions of dependency theory
- Activity
- References

THE HISTORICAL CONTEXT OF DEPENDENCY THEORY

- In the late 1960s the modernization school was challenged by the radical dependency school. The dependency school can be said to view development from a Third World perspective.

- According to Bloomstrom and Hettne (1984), the dependency school represents ‘the voices from the periphery’ that challenge the intellectual hegemony of the American modernization school.

- The dependency school first arose in Latin America as a response to bankruptcy of the program of the U.N. economic Commission for Latin America (NECLA) in the early 1960s.

THE HISTORICAL CONTEXT OF DEPENDENCY THEORY

- The dependency school was also a response to the crisis of orthodox Marxism in Latin America in the early 1960s

- The indigenous Latin American dependency school spread to North America. Andre Gunder Frank, who happened to be in lain America in the early 1960s, was instrumental in disseminating the ideas of dependency school to English-speaking world.

- The dependency school received a warm welcome in the united States in the late 1960s because it resonated with the sentiments of a new generation of young radical researchers who came of age

THE INTELLECTUAL HERITAGE OF 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.

THE INTELLECTUAL HERITAGE OF DEPENDENCY THEORY

- Such a possibility was not predicted by neoclassical theory, which had assumed that economic growth was beneficial to all (Pareto's optimal) even if the benefits were not always equally shared

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

- Poor countries exported primary commodities to the rich countries that then manufactured products out of those commodities and sold them back to the poorer countries.

- The "Value Added" by manufacturing a usable product always cost more than the primary products used to create those products.

THE INTELLECTUAL HERITAGE OF DEPENDENCY THEORY

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

- Prebisch's solution was similarly straightforward:

- Poorer countries should embark on programs of import substitution so that they need not purchase the manufactured products from the richer countries.

- 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.

THE INTELLECTUAL HERITAGE OF DEPENDENCY THEORY:

- 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.

THE INTELLECTUAL HERITAGE OF DEPENDENCY THEORY

- 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.

- At this point dependency theory was viewed as a possible way of explaining the persistent poverty of the poorer countries.

- The traditional neoclassical approach said virtually nothing on this question except to assert that the poorer countries were late in coming to solid economic practices and that as soon as they learned the techniques of modern economics, then the poverty would begin to subside.

SESSION 5: DEPENDENCY THEORY: THE INTELLECTUAL HERITAGE

- Another theoretical tradition upon which the dependency school draw is neo-Marxism.

- The success of Chinese and Cuban revolutions helped to spread a new form of Marxism to Latin America

- Marxists theorists viewed the persistent poverty as a consequence of capitalist exploitation.

DEFINITIONS OF DEPENDENCY THEORY

- Dependency can be defined as an explanation of the economic development of a state in terms of the external influences—political, economic, and cultural—on national development policies.

- Theotonio Dos Santos (1971: 226) emphasizes the historical dimension of the dependency relationships in his definition:

- [Dependency is]...an historical condition which shapes a certain structure of the world economy such that it favors some countries to the detriment of others and limits the development possibilities of the subordinate economics...a situation in which the economy of a certain group of countries is conditioned by the development and expansion of another economy, to which their own is subjected

DEFINITIONS OF DEPENDENCY THEORY

- There are three common features to these definitions which most dependency theorists share.

- First, dependency characterizes the international system as comprised of two sets of states, variously described as dominant/dependent, center/periphery or metropolitan/satellite.

- The dominant states are the advanced industrial nations in the Organization of Economic Cooperation and Development (OECD).

- The dependent states are those states of Latin America, Asia, and Africa which have low per capita GNPs and which rely heavily on the export of a single commodity for foreign exchange earnings.

DEFINITIONS OF DEPENDENCY THEORY

- Second, both definitions have in common the assumption that external forces are of singular importance to the economic activities within the dependent states.

- These external forces include multinational corporations, international commodity markets, foreign assistance, communications, and any other means by which the advanced industrialized countries can represent their economic interests abroad.

- Third, the definitions of dependency all indicate that the relations between dominant and dependent states are dynamic because the interactions between the two sets of states tend to not only reinforce but also intensify the unequal patterns.

DEFINITIONS OF DEPENDENCY THEORY

- Moreover, dependency is a very deep-seated historical process, rooted in the internationalization of capitalism.
- Dependency is an ongoing process: Latin America is today, and has been since the sixteenth century, part of an international system dominated by the now-developed nations...Latin underdevelopment is the outcome of a particular series of relationships to the international system.
- In short, dependency theory attempts to explain the present underdeveloped state of many nations in the world by examining the patterns of interactions among nations and by arguing that inequality among nations is an intrinsic part of those interactions.

CENTRAL PROPOSITIONS OF DEPENDENCY THEORY

1. Underdevelopment is a condition fundamentally different from undevelopment.

- The term undevelopment simply refers to a condition in which resources are not being used. For example, the European colonists viewed the North American continent as an undeveloped area: the land was not actively cultivated on a scale consistent with its potential.
- 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.

SESSION 5: DEPENDENCY THEORY: CENTRAL PROPOSITIONS

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.

CENTRAL PROPOSITIONS OF DEPENDENCY THEORY

3. **Dependency theory suggests that alternative uses of resources are preferable to the resource usage patterns imposed by dominant states.**

- There is no clear definition of what these preferred patterns might be, but some criteria are invoked. For example, one of the dominant state practices most often criticized by dependency theorists is export agriculture.
- The criticism is that many poor economies experience rather high rates of malnutrition even though they produce great amounts of food for export.
- Many dependency theorists would argue that those agricultural lands should be used for domestic food production in order to reduce the rates of malnutrition.

CENTRAL PROPOSITIONS OF DEPENDENCY THEORY:

4. **The preceding proposition can be amplified: 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.
- Trying to determine what is "best" for the poor is a difficult analytical problem over the long run.
- Dependency theorists have not yet articulated an operational definition of the national economic interest.

CENTRAL PROPOSITIONS OF DEPENDENCY THEORY

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.
- Thus, in a very real sense, a dependency relationship is a "voluntary" relationship.
- One need not argue that the elites in a dependent state are consciously betraying the interests of their poor; the elites sincerely believe that the key to economic development lies in following the prescriptions of liberal economic doctrine.

Activity

- Explain the factors that led to the emergence of the dependency school
- What are the key historical markers that underpins the dependency school
- What are the central propositions of dependency theory?

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