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Dependency Theory

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Dependency Theory

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Dependency theory is a popular theory within the social sciences to explain economic development of states. The theory developed during the late 1950s and over the following two decades, principally under liberal reformer Raúl Prebisch, director of the United Nations Economic Commission for Latin America (UNECLA), and development economist Hans Singer. Dependency theory is also associated with prominent Marxist scholars, such as Andre Gunder Frank, Paul A. Baran, and Paul Sweezy, and world systems theorists, such as Immanuel Wallerstein.

Dependency theory is the result of an extensive search to find a theoretical framework to sufficiently analyze and explain both development and underdevelopment within the international system. It does so by allowing scholars and practitioners to look to external matters, such as politics, economics, and culture, and attempt to come to an understanding of how these issues influence development policies.

Three main characteristics of dependency theory are salient. First, the international system is seen as the sum of two sets of states: *dominant* and *dependent*. Second, dependency theory holds that *external forces* are critical in terms of economic activity of dependent states. Third, relationships, based on strongly historical patterns and dynamics (i.e., *internationalization of capitalism*), between dominant and dependent states are a vibrant process, with exchanges taking place between the states playing a considerable role in the reinforcement of patterns of inequality.

This entry further describes dependency theory in contrast to modernization theory and other competing perspectives. It concludes with a brief look at the theory's limitations.

Dependency Theory and Modernization Theory

Dependency theory is a mixture of various theories, including world systems theory, historical structure theory, and neo-Marxist theory. Collectively, these theories contrast modernization theory, an earlier theory of state development that ceded much of its explanatory ground during the 1960s and even the 1970s following U.S. interventionist challenges overseas, as well as problems associated with race relations, economic inflation, and the decline of the U.S. dollar.

Dependency theory can be seen as a critique based on the following question or problem: Why do some countries become rich while others remain poor? This question is posed against the previously held conception that economic development was beneficial to every country within the international system. Economic prosperity in particular countries, however, often resulted in deep problems in terms of underdevelopment. Dependency theory holds expected outcomes for peripheral countries: (a) Economically, the outcome of development is continued underdevelopment; (b) socially, the outcome is inequality and conflict; and (c) politically, the outcome is the reinforcement of authoritarian government.

The years that followed the end of the Second World War in 1945 saw swift and extensive processes of decolonization. Thus, the roots of dependency theory can be found among the years when capitalist countries began to develop, the United States and the Soviet Union acted as leaders in a new and noncolonialist orientation of the international system, and both sought to expand their influence (neocolonialism for the United States and socialism for the Soviet Union) over nascent political and economic actors throughout Africa, Asia, and Latin America. Not all countries within the periphery were willing to follow the U.S. model. Many

sought to avoid U.S. influence and pursue the socialist model; however, others did not easily accept the development strategies of the Soviet Union. Rather, some decided to pursue nonaligned methods of development with the assistance of the United Nations and other international organizations.

By contrast, modernization theory considers nature, economic situations, world market integration, and technological development or transfers of technology between developed countries and underdeveloped countries. The deficiency in this theory derives from its internal examination of development among underdeveloped countries. It assumes that such countries are underdeveloped simply because they are still at a very early stage of their own development, and to advance, they need to look at developed (particularly Western) countries. Western countries can be seen as archetypes, offering specific patterns or standards that countries can follow to achieve modernity.

Dependency theory casts aside the suppositions offered by modernization theory that each and every country within the international system should pursue a predetermined path in order to become advanced and prosperous.

Competing Perspectives

A great deal of debate within the literature on dependency theory leads to numerous and often competing perspectives and discourse. Dependency theory is, on one hand, about the relationship between developed and underdeveloped countries. On the other hand, the relationship is about countries that have emerged and those that are emerging. Alternatively, dependency theory describes the world in terms of a capitalist or imperialist core (also known as the wealthy states) and an exploited (also exploitative) periphery. The subjective nature of debates found within dependency theory means there are many different and often productive ways of examining the world. These different points of views can lead to intensive but informative debates.

Countries at the core of the international system are referred to as the “haves,” whereas those found within the periphery are called the “have-nots.” Industries, government, social elites, financial power, and systems of education are key characteristics of the core countries. By contrast, periphery countries possess mining, forestry, agriculture, less power, poor systems of education, and low wages that are incapable of sustaining affluent lifestyles. These factors are central components composing the relationship between the core and the periphery.

Dependency theorists also describe the interaction of more than just the core and periphery. They argue that states perform different functions within the world economy, which are divided into four groups instead of two: center of the center (CC), periphery of the center (PC), center of the periphery (CP), and periphery of the periphery (PP). For example, the CC consists of the United States, the United Kingdom, and France. The PC includes advanced and industrialized countries, such as Canada, Japan, Italy, and Spain. Countries within this group have less global power and wealth than the CC countries. There are also CP countries, such as South Africa, India, Brazil, and Saudi Arabia. These countries have a reasonable amount of wealth despite the fact that they are still undergoing processes of development. PP countries are the poorest countries of the world and are the least advanced; they include the Democratic Republic of Congo, Liberia, Zimbabwe, and Burundi, among many others. The CC and the PC countries are the haves, whereas CP and PP countries are the have-nots.

There are a number of key assumptions regarding this relationship. Underdevelopment is not

a phenomenon directly related to the internal conditions of a country, as peripheral countries are actually dominated by the foreign interests originating within core countries. Although underdevelopment can be overcome, to do so, countries need to be disconnected from the dominance of core countries and the system or structure that their interests and policies produce.

Limitations

The propositions of dependency theory are not without limitations. Although the theory has served various disciplines in the analysis and explanation of the persistent poverty of underdeveloped countries, the theory significantly failed to explain the rise of the newly industrialized countries of East Asia (Hong Kong, South Korea, Taiwan, and Singapore), as well as those of Southeast Asia (Indonesia, Malaysia, and Thailand). The theory also presumes that all developing countries share the same traits. In addition, dependency theory is limited in its analytical ability when applied to sectors beyond manufacturing. Moreover, changes in India's economy after that country shifted to an open market system presented further challenges to dependency theorists.

There are fewer supporters of dependency theory today than there were decades ago. Some believe dependency theory to be a less relevant conceptualization of the arrangement of wealth, whereas others claim that dependency theory is still applicable to the study of state impoverishment and the world system in the 21st century.

See also [Capitalism and War](#); [Political Economy of War](#); [World Systems Theory](#)

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Further Readings

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