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DEPENDENCY THEORY AND DEVELOPMENT POLICY IN A 21ST CENTURY CONTEXT

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Abstract
This paper examines the contemporary relevance of dependency theory in understanding global inequalities and guiding development policy. Dependency theory, which emerged in the 1950s as a critique of classical economic frameworks, challenged dominant paradigms by highlighting the exploitative structural relationships between the Global North and South. While the theory's influence has waned amidst critiques and changing global dynamics, recent scholarship and policy debates signal a revival of interest in its insights. Drawing on the historical context of its emergence and its foundational tenets, this paper argues that dependency theory provides a robust framework for analysing modern economic challenges, including global inequality, underdevelopment, and the developmental strategies of emerging economies. Through a structured analysis, the paper addresses critiques of the theory, explores its adaptability to contemporary contexts, and emphasises its utility in shaping equitable and sustainable development policies. The findings underscore the enduring relevance of dependency theory in addressing the complexities of global economic interdependence.

Keywords: Development policy, dependency theory, global south, inequality, underdevelopment

Introduction

One of the many significant perspectives that have influenced development theory and practice in the last few decades is the dependency theory. The theory's promise to provide a more factual account of developmental crises than conventional paradigms may have contributed significantly to its adoption. These claims contributed to its widespread acceptance in numerous institutions around the world (Harris, 2014). Simultaneously, the theory's growing appeal stemmed from its promise for Third World policies (Ahiakpor, 1985). Nonetheless, some contend that its significance has been much reduced by the political and economic changes that have taken place since the late 20th century (Kvangraven, 2021). There is consensus in the literature on dependency theory that, despite signs of a resurgence in interest, this theoretical framework has effectively dipped in relevance (Kafakurinani et al., 2017; Margulis, 2017).

This essay argues that dependency theory remains a valuable framework for analyzing contemporary development issues. It emphasizes the theory's enduring relevance in understanding the shared history of modern civilization and its significance in addressing contemporary global development challenges, inequality, and the policy dynamics of emerging and developing economies. These considerations provide the foundation for the discussion presented here.

The essay is organized into five sections. The first section presents the methodology adopted for the paper and the second section explores the origins of dependency theory, examining the historical context that shaped its development and outlining its core principles. The third section addresses the decline of dependency theory, engaging with key critiques that have emerged over time. The fourth and fifth sections build the case for the theory's continued applicability, demonstrating its relevance in analyzing current economic and developmental trends. Finally, the sixth section offers a summary and conclusion, tying together the insights gained from the preceding discussion.

Methodology

The paper adopts the qualitative research design. Data was generated mainly through secondary sources including texts, journal articles, online materials, among others, and was analyzed through content analysis of related documents to the subject-matter. Focus was given to data that delved into the trajectory and analysis of dependency theory within the context of the international economic system, particularly as pertains to the global South.

Historicising Dependency theory

Paul Prebisch was the first to propose dependency theory in the 1950s, and it was based on his study findings. The 1930s economic downturn and the economic issues facing his native nation served as the basis for Paul Prebisch's studies, which concentrated on the issues of economic growth and development (Love, 1980). His later opinions became critical, especially of Keynesian and classical economic theories, which he believed were insufficient to explain some economic dynamics. As a result, he actively worked to create a different strategy, which eventually gave rise to dependency theory (Caldentey and Vernengo, 2018). The literature's observation that the dependency theory was a “reaction to the economic theory of 'trickle down,' which characterised the post-war social democratic concern with economic growth and Keynesian economics in industrialised countries and which linked the poor in the industrialised West with the poor in the non-industrialized South” (Hills, 1994, p.169) subtly highlights the relationship between Prebisch's critical stance and the theory. Deep discontent with global economic arrangements was a major contributing factor, as was this disgust with traditional economic theories. These links can be seen in the arguments made by a number of academic sources that linked the theory's development to the G77 countries' support for a new international economic order. This support was motivated by dissatisfaction with the structures that were thought to be ineffective for the growth of non-Western, unindustrialised economies (Braun, 1976; Tomlinson, 2003). The development of the dependency theory was obviously an attempt to offer a method that might influence the way that development policy is thought of and implemented in relation to developing nations. The idea questioned the dominance of methods that had come from and were influenced by what might be described as “an array of intellectual and policy processes” that advanced, industrialised nations employed to manage emerging nations (Berger, 1994, p.260).

Since its inception, dependency theory has evolved into a diverse and multifaceted framework, making it increasingly difficult to regard it as a singular, monolithic perspective. It integrates ideas and contributions from a broad spectrum of scholars across both developed and developing nations, including figures such as Immanuel Wallerstein, Samir Amin,

Theotonio dos Santos, and André Gunder Frank. Accordingly, it would be helpful to consider dependency theory as a combination of many philosophical traditions that "share some fundamental characteristics" (Amin, 2017, p.12).

The fundamental characteristics of Dependency theory

Diverse viewpoints make up the theory of dependency. In essence, the theory incorporates a variety of viewpoints, such as the Marxist and structuralist schools of thought (Evans, 2017), the Latin American and Neo-Marxist views (Cardoso, 1977), and global historical materialism, dependence, and the World Systems schools (Amir, 2017). Dependency theorists critique traditional theories of development, such as modernisation, regardless of their viewpoint or designation. The problem of poverty and development, which can be framed within the framework of discussions of the Third World idea, is a significant area of disagreement with modernisation theory. According to modernisation theorists, the Third World—a term used to describe developing, less developed, or impoverished nations from Asia and Africa—was underdeveloped due to internal traits and issues. problems (Berger, 1994) or rather "internal processes and constraints that hinder development" (Islam, 2018, p.111).

According to modernist beliefs, these nations could only solve those problems by adhering to the "development path" that developed, advanced nations had mapped out and suggested. Modernisation thinkers like Rostow (1959), Lewis (1954), and McClelland (1964) have argued that this growth path would require a thorough redesign of such cultures to conform to Western ideas and attitudes. This is because "attitudes to work, to wealth, to thrift, to having children, to invention, to strangers, to adventure, and so on…" were what shaped economic progress (Lewis, 1955, p.14). Therefore, only Western-style remedies could address the issues of poverty and underdevelopment.

In contrast to the modernists' ideas, dependency theorists contend that underdevelopment is a situation that arises from variables that are more exogenous than endogenous to developing nations, suggesting that it is an externally produced phenomenon. According to Namkoong (1999, p.122), underdevelopment is a result of "deficiencies" that are external to developing nations. In addition to challenging the presumptions of the traditional, orthodox schools of thought, as represented by the modernists, the portrayal of these flaws as external also points to the comprehensive and historical nature of underdevelopment. This idea is encapsulated in the concept of dependency, which Theotonio dos Santos defines as "a historical condition which shapes a certain structure of the world economy such that it favours some countries to the detriment of others" (Dos Santos, 1970, p. 231).

According to the dependency theory, the "advantaged" and "disadvantaged" nations stand in for the "peripheral" and "core" nations, which are industrialised, advanced capitalist economies and impoverished, developing nations, respectively. In addition to taking advantage of the former group of countries, the latter group of countries can also profit from skewed global trade dynamics and economic structures. Because dependency theorists contend that global capitalism leads to "discriminatory development," which in turn results in discriminatory access to resources necessary for development, causing one to "accumulate privileges" while simultaneously marginalizing others, this critique of global trade and economic structures is, at its core, an explicit critique of capitalism (Sunkel, 1979, p.172).

The Prebisch-Singer Hypothesis captures this process of privilege and discriminating growth. According to the hypothesis, which is based on Prebisch and Singer's analysis of the long-term trade patterns of industrialised and peripheral nations, developing nations essentially continue to face unfavourable terms of trade due to the oligopolistic, inflexible structure of

core economies and the income elasticity of the goods produced by these nations (Kvangraven, 2020). According to Prebisch, this dynamic ensured "core" nations has a level of economic domination that developing nations could not achieve. The "privileges" that result from these dynamics, according to dependency theorists, create and maintain an unequal exchange situation (Fischer, 2019), whereby exporters in "core" industrialised economies essentially enjoy "greater monopoly power than their counterparts in "peripheral" developing nations" (Sutcliffe, 1972, p.188).

Although Patrick Bond claims that the simplest explanation of dependency theory is the subsequent wealth accumulation by core countries and the resulting impoverishment of peripheral countries (Kufakurinani, 2017, p.88), it should be noted that dependency theorists also attribute the origin of unequal exchange to colonialism (or more generally, Western imperialism). The exploitative relationships between core-periphery nations were made easier by colonialism. It was one of the most significant historical processes that contributed to the "development of underdevelopment," according to Frank (1966). Dependency theorists have frequently highlighted how colonialism severely disturbed social and economic processes throughout Africa and led to the emergence of exploitative interactions while examining the colonisation of Africa by Western powers. Industrialised nations that were colonial powers exploited African resources and used their dominance over African markets to make enormous profit margins, according to Chinweizu (1978). Cities and villages in the colonies were utilised to allow resource exports back to the industrialised, advanced countries in order to establish population centres and economies, which greatly supported the construction of "metropolis-satellite" processes (Frank, 1966; Islam, 2018).

Dependency theory arrives to a different conclusion on the appropriate development path after analysing the elements that contribute to underdevelopment. Fundamentally, different dependency theorists stressed that the only way for peripheral nations to grow was to sever their dependent relationships. Dependency theorists stress the necessity to strengthen domestic economic systems, guarantee the equitable allocation of resources, and promote internal growth while advocating for the "delinking" of such relationships (Ndlovu, 2020). These factors influenced some of the arguments made in favour of the import substitution policy. Although some contend that Prebisch's initial idea of "import substitution" was centred on changing the dynamics of imports from consumer to capital goods (Irwin, 2020), support for the policy was in line with an understanding that such states' economic structures needed to be overhauled by boosting domestic demand, production, and structural changes (Mustafin et al., 2022).

Dependency theory: critique and decline

One of the main criticisms of the dependency theory in the literature has been its concentration on attributing underdevelopment to outside forces. The theory only seems to be accused of being overly reductionist and simplistic because of its insistence on the importance of the international system's distorted nature. It has been claimed that the theory's "... error of assuming that since the whole (in this case the international system) is greater than the sum of its parts (the constituent states), the parts lead no significant existence separate from the whole, but operate simply in functionally specific manners as a result of their place in the greater system" was its flaw (Smith, 1979, p. 248). Determinism at the time solely disregarded governments' "autonomy" and "agency."

Another group of critics believed that "methodological" and "ontological" issues were the root of the criticism to dependency theory. Given the disagreements on its conceptual soundness and internal coherence, dependency theory was deemed undeserving of being stated in this context (Lall, 1975). The "circular" conceptualisation of dependency was

criticised by Lall, who expressed particular problems with the concept. According to Lall (1975, p. 808), this circuitousness in conceptualisation rendered the concept "impossible to define" or "be casually related to continuance of underdevelopment."

The tendency for dependency theory proponents to be "too 'ideological,' one-sided in their reading of the functioning of the global system, and autarchic in their prescriptions for change" (Olukoshi, 2017, p.22) was one of the weaknesses of the theory, according to modernists. Related lines of critique centre on the theory's seeming pessimism regarding economic reductionism and the prospects for advancement under current systems (Amsden, 2003; Grosfoguel, 2000). Dependency theory has also been criticised for being narrow-minded and exclusive in that it prioritises the nation-state over other equally significant factors, such as "gender" and "race" (Bonilla and Girling, 1973; Scott, 1995), without essentially providing a thorough account of the state's ontology (Ndlovu-Gatsheni, 2013).

Furthermore, those who favour considering dependency to be representative of an"enabler" rather than the cause of underdevelopment have contested the dependency theorists' claim that dependency is the primary cause of underdevelopment. Thomas Weisskopf's contention that "these aspects of underdevelopment... cannot simply be attributed to dependency per se, as they are inherent in the operation of the capitalist mode of production whether or not it takes a dependent form" serves as an example of such concepts. According to Weisskopf (1978, p. 21), it is more reasonable to see dependency as a contributing factor to underdevelopment, which is unavoidable under capitalism, rather than as a primary cause of underdevelopment. Proponents of this line of criticism clearly aimed to underlinefurther appraisals of underdevelopment's history by presenting this argument. Rudolf Albertini summed up these concepts when he proposed that: "Underdevelopment, as currently understood, is neither a consequence of exploitation nor integration into the world capitalist economic system, even though exploitation did occur and the consequences of dependence may be severe." When a historian assesses the Third World's issues as primarily the result of reliance and capitalism penetration, he is not going far enough and is only distorting the history of the region, whether consciously or unconsciously (Albertini, 1980, p. 45).

Notwithstanding the criticisms, dependency theory did, in fact, lose favour in the latter half of the 20th century. Kvangraven (2021) attributes this to the theory's inadequacy as a framework for explaining some developments in global political economy as well as the seeming success of conventional economic theory. Descriptive labels like "developing" and "under-developing," which were essential to the epistemology of dependency theory, have virtually vanished, as seen by the advent of rising economies like Taiwan, Brazil, Mexico, and Singapore (Holm, 1990). These feelings supported the clear findings that the theoretical framework's perspectives were outdated and out of step with modern ideas of economic development, and as a result, they might be regarded as outdated in both academia and practice (Glennie &Hassanien, 2012).

The indisputable contributions of dependency theory to the study of underdevelopment cannot be discounted, notwithstanding the severe criticisms and assertions of "declining relevance." Its most significant contribution is that it adds a fresh viewpoint to the discussion of development by highlighting the hitherto unnoticed link between "domestic factors" and "external factors of underdevelopment" (Namkoong, 1999, p.145). Furthermore, it also greatly increased the popularity of Third World and non-aligned bloc, which were vital in influencing significant economic and political developments in the 20th century and leading to critical reexaminations of global economic ties (Tomlinson, 2003).

Dependency Theory and International Development: Continued Relevance

A well-known thesis has been the dependency theory's waning applicability, as was previously mentioned. Supporters of this viewpoint point out that the theory's fundamental presumptions are unworkable because they clash with the reality of globalisation (Randall, 2004). They cite examples such as the paradoxical deepening of peripheral nations' inclusion into the global economy in the post-Cold War era (Sekhri, 2009) as proof of this contradiction. While it is true that dependency theory has a crisis of legitimacy, it could be exaggerated to say that the theory is doomed. This is because ignoring dependency theory in current discussions that promote liberal economic viewpoints hinders global development work, as Glennie and Hassanien (2012) contend.

Dependency theory is a useful analytical tool for examining interstate interactions and elucidating the worldwide rich-poor divide. Its usefulness as a lens for comprehending past economic ties between wealthy and poor countries—particularly in understanding the processes of exploitation and wealth distribution—should be taken into consideration while evaluating its applicability in the modern day. It is also an essential lens through which to see the persistence of growing income disparities worldwide and the perpetuation of wealth in the hands of a few. Dependency theory represents a useful analytical tool for examining interstate interactions and elucidating the worldwide rich-poor divide.

To the credit of dependency theory, it must be said that the fundamental principles that underpinned its claims are still very much in line and relevant today. The theory's criticism of capitalism as a sign of unequal growth is still relevant, in fact. The deteriorating state of income disparities that still plague the international system and different country societies is indicative of this. Global inequality is still on the rise, with wealth gaps growing both inside and between countries, according to the International Monetary Fund (2011). As noted by Banarjee and Duflo (2021), “in every major part of the world except Europe, the share of the bottom 50% in total earnings is less than 15% (less than ten in Latin America, Sub-Saharan Africa and MENA region) while the share of the richest 10% is over 40% and in many of the regions, closer to 60%” (Banarjee&Duflo, 2021, p.3).

The inseparability of politics and economics, a crucial concept highlighted by dependency theorists, must also remain a part of contemporary international development theory. Development assistance is one important area where this idea is evident. For example, the International Monetary Fund's operational logic and its relationships with poor nations make a strong basis for the dependency theorists' claims. Because the IMF’s decision-making process is based on the weighted voting principle, it still mostly reflects the interests of leading and dominant economies (Mayer &Napel, 2020). Highlighting the detrimental implications of this arrangement, David Rapkin and Jonathan Strand have noted that:

> “… basic votes have not increased proportionally with increases in quota-based votes. Hence, in recent years basic votes amounted to an all-time low of between two and three percent of the total votes, down from the original 11.3 percent agreed on in 1944 at Bretton Woods and from the historic high in 1958 of 15.6 percent. This trend away from recognition of the sovereign equality of states has significantly diminished developing country influence in the Fund… additional formal functions served by quotas include setting the extent of members’ access to the IMF’s financial resources and their share in the allocation of SDRs. Also, quotas are reflected in members’ representation on the IMF staff.” (Rapkin &Strand, 2016, p. 7-8).

Developing nations require greater leverage to obtain financial facilities and instruments within this unequal framework. Developing nations must meet difficult criteria in order to

obtain loans, which have an immediate effect on their economic well-being. The organization's focus on reducing poverty runs counter to these tendencies (International Monetary Fund, 2021). According to a number of statements, the institution's policies have been linked to "higher poverty rates" (Biglaiser and McGauvran, 2022) and have had little impact on poverty rates in emerging nations (Hajro and Joyce, 2009; Lang, 2021).

Furthermore, the dependency theory is still a useful framework for clarifying new types of relationships, such the growing Chinese influence in Africa. The dynamics of this relationship echo patterns previously criticized by dependency scholars, despite China's engagement in Africa being framed within a narrative of "anti-imperialist" rhetoric and purported mutual benefits (cf. Okolo and Akwu, 2016; Chen, 2016). This claim is backed up by a number of concrete examples that have confirmed the idea that China's penetration, which has mostly involved trade, has unintentionally resulted in the appropriation of African economic systems and leadership in order to further China's trade and foreign policy objectives (Langan, 2017).

As is typical with past examples of foreign development assistance, the direct result of these Chinese "investments" in Africa is the continuation of circumstances that directly hinder nations' capacity to properly manage their own economy and maintain agency. The effects of these conditions are most noticeable in Zambia, where Chinese influence has repeatedly intruded into the country's internal policies and political environment. The ability of Zambia to strengthen governance effectiveness has been undermined by this well-documented intervention, which has severely infringed upon Zambia's sovereignty (Mushota, 2021). These connections to Zambia's governance and sovereignty are highlighted in reports, especially in relation to cases where Chinese corporations have seized control of vital national infrastructure (Servant, 2019). The significant inflow of Chinese development aid has unquestionably serious and perhaps disastrous consequences for many developing nations, including Zambia, in terms of developmental trade-offs. Repayment of debt frequently takes funds away from essential social services like energy and education. As a result, nations like Pakistan have seen a rise in unemployment rates and Kenya has struggled to pay civil servants (Condon and the Associated Press, 2023).

Dependency theory's insights into trade politics are further supported by the examination of core-periphery interactions, which are now frequently defined as North-South dynamics. Dependency theorists' views about unequal trade are increasingly reflected in discussions about the relationship between the African, Caribbean, and Pacific (ACP) countries and the European Union (EU). African countries frequently find themselves as junior partners, merely observing debates in Brussels without substantial means of control (African Union, 2015). Evidence suggests that trade agreements between these blocs have significantly influenced the agricultural industries and income levels in ACP countries (Ulmer, 2004).

Conclusion

It is simplistic to conclude that dependency theory is incompatible with the twenty-first century. This essay has successfully demonstrated the theory's ongoing use in understanding a broad range of international economic and development concerns. Dependency theory is still a useful analytical tool for describing enduring global inequity and obstacles to progress. Its focus on how politics and economics are intertwined is particularly demonstrated by the declining clout of developing countries in organisations such as the IMF, which exposes unequal power relations influencing decision-making.

IMF policies, which are frequently associated with development assistance, continue to be criticised because they place onerous requirements on recipient nations while having little to

no impact on poverty rates. As demonstrated by China's growing engagement in Africa and the ACP-EU relationship, dependency theory also offers a framework for comprehending changing global relationships. In conclusion, dependency theory continues to provide valuable insights into contemporary power imbalances, economic inequality, and the impact of global power dynamics on development. Despite the criticisms it faces, its utility in understanding the complexities of inequality and global development remains significant. As Glennie and Hassanien (2012) argue, dependency theory should be revised and preserved as a foundational framework in discussions surrounding global development.

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