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Dependency theory by Andre Gunder Frank

In the book "The development of underdevelopment," Andre Gunder Frank discusses the factors that have resulted in underdevelopment in certain areas of the world and rapid development in others.

Dependency Theory is generally a concept based on the global relation of economic domination and exploitation by the more economically powerful countries over the less economically powerful countries. As a result of the unequal distribution of power and resources, some countries have developed at a faster pace than others.

Frank rejects the idea that underdevelopment stems from an individual country's isolation from the larger world. On the contrary, he believed that underdevelopment results from the unequal distribution of resources and exploitation of the less developed and emerging countries by the more developed countries through the so-called "metropolis-satellite relations" theory.

Dependency Theory hence is the idea that resources flow from a "periphery" of poor and underdeveloped states to a "core" of wealthy states, enriching the latter at the expense of the former.

Frank argued that a world capitalist system emerged in the 16th century which progressively locked Latin America, Asia and Africa into an unequal and exploitative relationship with the more powerful European nations.

This world Capitalist system is organised as an interlocking chain: at one end are the wealthy 'metropolis' or 'core' nations (European nations), and at the other are the undeveloped 'satellite' or 'periphery' nations. The core nations are able to exploit the peripheral nations because of their superior economic and military power.

EXPLOITATION THROUGH HISTORY

From Frank's dependency perspective, world history from 1500 to the 1960s is best understood as a process whereby wealthier European nations accumulated enormous wealth through extracting natural resources from the developing world, the profits of which paid for their industrialisation and economic and social development, while the developing countries were made destitute in the process.

According to Frank the main period of colonial expansion was primarily from 1650 to 1900 when European powers, with Britain to the fore, used their superior naval and military technology to conquer and colonise most of the rest of the world.

Frank examined the privileged position of cities in that region that first emerged during the 16th century conquest by Spain and Portugal. The city was seen to be an example of the success of capitalism in the underdeveloped world. But Frank claimed that the city's function at this time was to economically dominate the indigenous population who lived in surrounding rural communities. He said that the city was the 'metropole' that dominated the 'satellites' around it.

Hence during this 250 year period the European 'metropolis' powers basically saw the rest of the world as a place from which to extract resources and thus wealth. In some regions extraction took the simple form of mining precious metals or resources – in the early days of colonialism, for example, the Portuguese and Spanish extracted huge volumes of gold and silver from colonies in South America, and later on, as the industrial revolution took off in Europe, Belgium profited hugely from extracting rubber from its colonies and the United Kingdom profited from oil reserves in what is now Saudi Arabia.

The wealth which flowed from Latin America, Asia and Africa into the European countries provided the funds to kick start the industrial revolution, which enabled European countries to start producing higher value, manufactured goods for export which further accelerated the wealth generating capacity of the colonial powers, and lead to increasing inequality between Europe and the rest of the world.

Andre Gunder Frank asserted that Latin America experienced its highest rates of industrialization during the period between the end of World War 1 and the beginning of World War II. As a case study, Frank focuses on the economy of Brazil and describes how its capital, Sao Paulo, became one of the largest and most developed industrial hubs in Latin America. Despite the rapid development of Brazil, Frank argued that Brazil would not break out of the cycle of underdevelopment due to its continued reliance on the more developed nations as a way to export its resources.

By the 1960s most colonies had achieved their independence, but European nations continued to see developing countries as sources of cheap raw materials and labour and, according to Dependency Theory, they had no interest in developing them because they continued to benefit from their poverty.

Hence Frank argued that the developed nations had a vested interest in keeping poor countries in a state of underdevelopment so they could continue to benefit from their economic weakness desperate countries are prepared to sell raw materials for a cheaper price, and the workers will work for less than people in more economically powerful countries. According to Frank, developed nations actually fear the development of poorer countries because their development threatens the dominance and prosperity of the West.

Dependency today

Hence exploitation still continues via neo-colonialism which describes a situation where European powers no longer have direct political control over countries in Latin America, Asia and Africa, but they continue to exploit them economically in more subtle ways.

Hence Frank’s main argument was that in our interconnected, globalised world, some countries are winners, whilst others are losers. According to dependency theory, the people of less-developed countries are not to blame for the failure of their societies to develop. Instead, he suggested that Western nations deliberately failed to develop these countries. He argued that historically, ‘core’ nations such as the USA and UK, who made up the elite ‘metropolis’, exploited ‘peripheral’ nations by keeping them as satellites in a state of dependency and under-development. Developed nations became wealthy by exploiting the poorest nations and using them as a source of cheap raw materials and labour. He claimed that this exploitative relationship was evident throughout the course of history (e.g. in the practice of slavery and in Western colonisation of other parts of the world) and was maintained into the twentieth century through Western countries’ domination of international trade, the emergence of large multinational companies and the reliance of less-developed countries on Western aid.

Hence Frank’s ideas about underdevelopment originated in his study of history, which he regarded as essential to understanding development issues. He criticised modernisation theorists (such as Walt Rostow) who argued that development happens as countries move from being traditional to modern economies and as they take on the values and practices of the developed countries. He argued that such theories of development failed to take account of how the capitalist system was a cause of underdevelopment, not a solution. He claimed that there was an assumption that underdeveloped countries were simply ‘behind’ the developed world and needed to catch up.

Frank said that over the course of history, this chain of exploitation in the form of a ‘metropolis-satellite’ relationship has been maintained, so that resources continue to be taken from satellites and fed back to the dominant metropolis. He said that his study of the history of countries like Chile and Brazil backed up this theory, where the chain of ‘satellite underdevelopment’ was evident in these countries’ relationship with Europe, and within their own domestic economies, where the ‘satellite metropolis ‘relationship existed at various levels so that the most remote area of Latin America were part of a chain that existed to benefit capitalist Western countries.

Frank also highlighted the increasing dominance of Transnational Corporations in exploiting labour and resources in poor countries because these companies are globally mobile, they are able to make poor countries compete in a ‘race to the bottom’ in which they offer lower and lower wages to attract the company, which does not promote development.

He stated that Western aid money is another means whereby rich countries continue to exploit poor countries and keep them dependent on them aid is, in fact, often in the term of loans, which come with conditions attached, such as requiring that poor countries open up their markets to Western corporations.

As a solution Frank states that one should break away at a time when the metropolis country is weak, as India did in Britain in the 1950s, following world war India is now a rising economic power. Secondly, through a socialist revolution, as in the case of Cuba.

Criticisms of Dependency Theory

1. Countries that had been colonised at least have the benefits of good transport and communication networks, such as India, whereas many countries that were never colonised, such as Ethiopia, are much less developed.

2. Modernisation theorists would argue against the view that Isolation and communist revolution is an effective path to development, given the well-known failings of communism in Russia and Eastern Europe. They would also point out that many developing countries have benefitted from Aid-for Development programmes run by western governments, and that those countries which have adopted Capitalist models of development since World War Two have developed at a faster rate than those that pursued communism.

3. Many argued that it is corruption within governments that is mainly to blame for the lack of development in many African countries.

Critics of the dependency theory also argued that this dependency is exaggerated. They also say that the theory focuses too much on economic factors and does not take into consideration the country’s political, social, cultural and environmental factors that might be contributing to underdevelopment.

However in spite of these criticisms dependency theory is an important contribution to development studies in the world today.