Is Dependency Theory Irrelevant To The Contemporary Global Political Economy?

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The title of Eduardo Galeano's book, *Open Veins of Latin America*, on its own paints a graphic image of a history that exists to this day, albeit in different forms (Galeano, 1997). There's something unsettling, yet telling, about that imagery, in which blood, in the form of resources, seeps from a network of Latin American veins. It is no surprise that over the decades, Latin American thinkers have developed theories to explain the advent of such phenomena, describing how their countries' underdevelopment is a necessity to the development of others. Dependency theory, first coined by Raul Prebisch in the 1950s, spearheaded different streams of thought on the structure of economic development and why in some countries, it has failed. It aimed to challenge theories of growth such as modernization theory, which prescribed a solution to growth, in which less developed countries must mimic the social, cultural, and economic structures and cycles of developed countries (Rostow, 1959). Dependency theories draw attention to the importance of historicizing development, especially in the ways development is impacted by global power dynamics, whether directly through colonialism, or more indirectly through what is termed as neo-colonialism. Dependency theory is important to understanding the contemporary global political economy as power has shapeshifted since the end of the colonial era. That is, former colonial powers that constitute today's global north, still exhibit and sustain their economic prowess through less detectable yet powerful mechanisms. This paper will argue that dependency theory is relevant to understanding the contemporary global political economy through two channels. Firstly, it will argue that dynamics explored in the dependency framework can be witnessed in the way today's debt regime is structured by the institutions that govern it. Secondly, as the colonial era was relevant to the development of tenets of dependency theory, this paper will argue that dependency theory is useful to examine dynamics that exist within settler states.While seemingly separate channels, this paper will also comment on how debt nourishes settler states to sustain the global hegemony of the core, as described by dependency theory.

The structure of the paper is as follows. It will begin by setting the grounds of dependency theory, through explaining its origins, thinkers, and contenders. Secondly, the first channel of this paper's thesis will explore debt, structural adjustment programs, and institutions such as the IMF. Moreover, the case study of Greece's debt crisis will be examined as austerity's effects speak to the dynamics that dependency theory holds. Then, the second channel, settler-colonialism, will explore the case of Israel/Palestine, and the ways it mimics core/periphery relationships. The final section of this paper will explore how the contemporary global political economy is upheld through the use of debt, in the form of taxpayer money and military aid, to sustain the economic and political prowess of Israel, which supports the interests of the core.

Dependency Theory

Raul Prebisch, who headed the United Nations Economic Commission on Latin America in the 1950s, set the intellectual foundations for the rise of dependency theory. His work occurred simultaneously but separately from Hans Singer's, yet their findings were common and complimentary, which resulted in what is known today as the Prebisch-Singer thesis. Their research aimed to question the state of development in Latin America, especially given the proliferation of countries participating in the export of primary products. It was often the case that primary products were exported at relatively cheap prices, while the final manufactured product of an industrialized nation would be priced relatively higher (Prebisch, 1950). In the case of Latin America, this is reminiscent of economic relations that existed in the colonial era, where Portugal and Spain exploited its reserves of silver, gold, and other agricultural goods (Galeano, 1997). One of the reasons for this is wage differentials, where as wages are low in less developed countries, resources can be extracted more cheaply. The writings of both Prebisch and Singer projected that terms of trade in the long term would favor industrialized nations. This is because the prices of primary commodities would experience a greater downward pressure in the long term, which would leave countries that are dependent on the export of such goods at a disadvantage (Harvey et al, 2010). Hence, it appeared as though the rules of international trade were stacked against primary product exporting countries, where given the inevitable decrease in the value of their exports, they must export more for their imports to make economic sense. A huge differential exists where cheap labor results in cheap resources, yet even with that, manufactured goods produced using such resources are highly priced. In a lecture given in 1944, Prebisch first distinctly categorized these two groups of countries into 'core' and 'periphery', which is the more well known aspect of dependency theory in the mainstream (Love, 1980). Another thinker of dependency theory, Fernando Henrique Dos Santos, defined dependency as 'a situation in which the economy of certain countries is conditioned by the development and expansion of another' (Dos Santos, 1970, p. 231). Even Eduardo Galeano, in *Open Veins Of Latin America*, expressed "the winners happen to have won thanks to our losing: the history of Latin America's underdevelopment is, as someone has said, an integral part of history of world capitalism's development" (Galeano, 1997, p. 2). Yet, Dos Santos went even further and claimed that different degrees of dependency exist, contingent on social, political, and production structures (Dos Santos, 1970). Moreover, he argued that dependency manifests itself through different channels, from technological dependence to financial constraints. This is important to this paper's thesis, as it examines debt and intrastate economic relations as other channels in which dependency plays out. In a recent revisit of dependency theory, Ghoush (2001) explores different forms of dependency such as academic, military, cultural, financial, and environmental.

Criticisms

A theory is not without its criticisms. Dependency theory lost its spotlight in the 1980s, and this was due to several factors. Firstly, many claimed that it places periphery countries as void of agency through putting concerted emphasis on politics and economics, while underestimating internal factors such as culture. While it is true that internal factors, in their uniqueness, are relevant in affecting a country's developmental trajectory, they cannot be understood in isolation from legacies of colonial exploitation. This is important when considering the quality of institutions, which were extractive, and hence shaky in their foundations, that have survived even post independence (Acemoglu et al, 2001). Dependency theory aims to historicize development, examining how internal dynamics in the periphery arise to develop the core. Another criticism of dependency theory is that it doesn't consider countries that have transitioned into the core, stripping away from their periphery status. In addition to that, with the diversification of global supply chains, periphery countries have been a site of flourishing manufacturing and productive capacities. A dependency analysis does not sentence periphery countries to interminable underdevelopment, but it attempts to explain why it is difficult for countries to catch up with the core. Kvangraven (2020) argues that it is important to consider a dependency programme, rather than a singular theory, which attempts to explain the polarizing trends within the global economy that leads to uneven development. Even with the participation of many periphery countries in global production schemes, such changes in global structures can still produce inequalities, which is what the dependency framework predicts. A theory that was developed in parallel to dependency theory was Wallerstein's World-Systems theory. It placed countries into the categories of core, semi-periphery, and periphery. In addition to exploring the cyclicality of capitalism, Wallerstein's World Systems theory fills the gap of the dependency framework with its classification of semi-periphery countries (Wallerstein, 1974). This category is important as it accounts for the reality that global economic growth is not a zero-sum game, where periphery countries can grow but still participate in relationships with the core that reproduce inequalities. Hence, the dependency framework, alongside other frameworks that were designed complimentary to it, provide a useful tool to a historical understanding of global inequality.

On Debt

Financial constraints can serve as a mechanism that fuels dependency and perpetuates underdevelopment (Ghoush, 2001). Financial constraints can be explored in the context of debt. This section of the paper will delve into debt, its overarching authority (the IMF), and the debt crisis in Greece. Through an examination of Structural Adjustment Programs' (SAPs) design, this paper will argue that a dependency analysis is useful in understanding SAPs' effects on economic growth.

During the Bretton Woods conference in 1944, the International Monetary Fund was created with the goal of boosting global financial cooperation, exchange rate stability, and setting an administrative framework for financial assistance in the form of loans or credit (International

Monetary Fund, 2023). Today, it consists of 190 member countries. Its every day operations are overseen by an executive board and every member country has a governor on the Board of Governors. It is often argued that institutions such as the World Bank, in cases of trade disputes, for example, and the IMF, through conditions tethered to loans, perpetuate the interests of the global North (Vestergaard and Wade, 2012). To examine that, one can examine the mechanism in which decision-making and voting occurs in the IMF. A member country's gross domestic product, openness to trade, currency reserves, and economic variability determines a quota which would determine its voting power (IMF, 2022). Hence, it is the case that the wealthier member countries exercise greater influence on the policies promoted by the IMF. This is of great importance when examining the relevance of dependency thought in the operations and outcomes generated by multilateral institutions.

In the name of promoting economic stability and rescuing countries from generating deeper deficits, loans provided by the IMF are conditioned on policy prescriptions that the recipient country must follow. Structural Adjustment Programmes (SAPs) outline such policies. Examples of some include: deregulation, privatization, trade liberalization, and the removal of financial controls (Liargovas and Psychalis, 2019). Moreover, SAPs often include austerity measures, where taxation is increased, public spending is slashed, and subsidies are reduced. In theory, and as advocated for by the IMF, policies prescribed by SAPs are intended to treat economic imbalances, reduce deficits, and improve the overall health of economies. Yet, that is questionable when welfare programs and access to public services, such as education and healthcare, are heavily reduced. To examine such a scenario, this paper will examine the Greek debt crisis, which is one of many, to explore how SAPs generate inequality, poverty, and ultimately, underdevelopment.

The Greek debt crisis can stand on its own as a research project, hence, this paragraph will attempt to succinctly contextualize it. Greece joined the Eurozone in 2001, adopting the Euro, which by extension gave the country access to low-interest rates. Yet, even prior to joining the Eurozone, it was known as a site for tax evasion, copious government spending, and fiscal inefficiencies (Ardagna and Caselli, 2014). Following the great financial crisis, Greece reported that its deficit was at an all time high, where its debt-to-GDP ratio was 144% (The World Bank, 2023) . When it failed at borrowing loans from the international markets, it searched for assistance from the IMF. As expected, conditions were attached to such bailouts. Yet, it wasn't just the IMF that dictated the conditions, but it was also in arms with the European Central Bank (ECB) and the European Union (EU). This trio is known as the 'Troika'. It is important to note that the EU and ECB represented the interests of the wealthy member countries of the IMF.

The case of Greece is interesting to examine as it was the IMF's first SAP that was delivered to a 'developed country' (Liargovas and Psychalis, 2019) This programme consisted of reductions in government spending, social benefits, and pensions. Additionally, to tackle the government's budget deficit, taxes were increased. Structurally, privatization was implemented on a wide-scale (Liargovas and Psychalis, 2019). Public services once administered by the state were taken over by firms with cost reduction goals. In attempts of achieving economic stability, SAPs left the Greek populace worse off with the reduction of their material earnings and access to social services . Social unrest was rife with the implementation of the measures of the program, as unemployment coincidentally spiked (Liargovas and Psychalis, 2019). Austerity, this shrinkage of social security nets that served those that wouldn't have easy access to services without them, is questionable in who it's meant to serve. Moreover, privatization can be deadly. In February of 2023, Two trains crashed head-to-head killing 57 passengers in Tempe. In the SAP's package, the privatization of the formerly state-owned railway network was implemented. Many unions raised the alarms to the lack of safety, administrative, and operational oversight over the network (Tsimitakis and Panayiotakis, 2023).

The dependency framework can be a useful lens when viewing SAPs. Relatively speaking, on a global scale, Greece is not a country that would be categorized into the periphery. Yet, relative to the EU, it can be. I'd argue that the core/periphery categorization is not that important here, but it can still be used. What is important is locating where power lies, which is with the Troika. Greece did not have much say in the conditions that were coupled with the bailout loans. More dangerously, the Greek populace had no sway or control in the decision making processes that would go on to affect their material livelihoods. At the cost of Greece's developmental needs, SAPs put the interests of the Troika, which is to implement neoliberal policies, at the forefront. Policies such as privatization, deregulation, trade liberalization echo the doctrine of the Washington Consensus, which achieved hegemony over the Greek economy (Mohashin, 2017). Dependence on loans, financial constraints due to austerity, and power imbalances during negotiations all resemble the sort of dynamics explored in the dependency framework. Dependency theory is relevant to the contemporary political economy, especially when assessing the structure of the debt regime, its backers, and policies. Through depriving the Greek population of material nourishment and outsourcing essential services to the private sector, economic foundations are withered, and hence, induce dependency. This is evident as even years after the implementation of the SAPs, while the debt-to-gdp ratio was 144% in 2009, it reached 252% in 2021 (The World Bank, 2023).

Settler Colonies

This section will explore another topic that is relevant to the functioning of the contemporary political economy. While dependency theory was developed for an interstate analysis of global economic growth, this paper will argue that it is relevant in the assessment of dynamics that exist within settler colonies. A settler colonial state is created through the displacement of an indigenous population to make space for a settler society (Khalidi, 2022).The United States, Canada, Australia, and New Zealand are obvious examples. The formation of the Israeli state, in 1948, necessitated the displacement and expulsion of the Palestinian population (Khalidi, 2022). This paper examines the Israeli type of settler colonialism as the settler society and the remaining displaced society are similar in population numbers, which is not the case with other settler states. This is interesting as it places good grounding for a comparison of the Palestinian economy to the Israeli one, where the former is void of power while the latter monopolizes it.

The Occupied Palestinian Territories (OPT), along the territorial lines established due to the 1967 war, are the West Bank and Gaza. Violence is typically understood as something that manifests itself in the physical realm, yet, Shikaki (2021) leans on Pierre Bourdieu's categorization of "symbolic violence". Symbolic violence speaks to how control seeps into the economic, legal, psychological, and political dimensions. Examining economic control extensively, this section will utilize a dependency framework to rationalize the goals of Israeli economic policies in the OPT. It is important to note that because of the occupation, the OPT cannot break out of dependency. In addition, the case of Israel/Palestine is not the typical case study used for a dependency analysis, especially due to the geographical closeness. Simply, the periphery exists within the core. Yet, this section will examine how Israeli policies are designed to make the OPT markets captive and dependent on it. This builds on the concept of 'dependent development' where any growth in the weaker economy is dictated by the interests of a stronger external economy that subjugates it (Sayigh, 1986).

Israeli products accounted for 90% of imports into the OPT in the 1970s and the 1980s (Shikaki, 2021) . In 2015, Israel received 70% of total Palestinian exports and the OPT received 85% of its imports from Israel (Shikaki, 2021). There is an obvious, long-standing trade deficit that the periphery, the OPT, has with the core, Israel. Scholars describe the OPT, both the West Bank and Gaza, as a 'captive market' for Israel. When Israeli products, in their own market, can't compete with other western products, the OPT market serves as a dumping ground (Shikaki, 2021). The West Bank and Gaza do not have political or economic decision-making power to set the terms of trade and govern their own economies. Historically, a relationship between the core and periphery could include a flow of investment and capital from the former into the latter. This is how cases of technological and financial dependency can arise (Ghoush, 2001). Yet, the opposite is seen in the OPT but it still perpetuates dependency. Israel puts concerted effort into impoverishing the economy of the OPT by withholding "essential bases of economic growth such as finance, capital goods, raw materials, licenses, and vital infrastructure services" (Sayigh, 1986, p. 52). This is echoed in Sara Roy's definition of de-development as “the deliberate, systematic and progressive dismemberment of an indigenous economy by a dominant one, where economic – and by extension, societal – potential is not only distorted but denied” (Roy, 2007, p. 33). This resulted in the rapid de-industrialization of the Palestinian economy, where it was not allowed to compete with the Israeli economy, but was subcontracted to support it. Due to that lack of industrial capacity within the OPT, Israel took advantage of cheap unskilled Palestinian labor to contribute into its industries (Shikaki, 2021). This mimics dynamics between core and periphery countries, where the former benefits from the latter’s cheap labor.

The Oslo Accords of 1993 gave rise to the Palestinian Authority (PA), which some scholars describe as a “cost-effective restructuring of Israel’s settler colonial regime”(Shikaki, 2021, p. 37). While now a representative for Palestinians on the international stage, one must not confuse such representation with any material power or agency in the OPT. It is interesting to witness how Israeli dependency-inducing policies are channeled through its relations with the PA. In the financial realm, Arab banks were rendered obsolete and the OPT was governed under the Israeli financial system. That is, the OPT was forced to take on the Israeli currency as legal tender (Shikaki, 2021). Dependency was legalized through the Oslo Accords, where the Protocol on Economic Relations (PER), unleashed many obligations onto the PA. Firstly, it forced the PA to design its tax system and trade policies to mimic the Israeli system. This is illogical, holding the economic standing of the strangulated OPT to the same standard as the Israeli economy. In regard to trade policy, Israel placed quantitative limits on Palestinian exports into the state, but did not apply the same rules to Israeli imports into the OPT. Moreover, it prescribed a VAT rate that has detrimental effects on the purchasing powers of palestinians. The PER legal framework also gave Israel the power to control “monetary policies, trade and fiscal revenues, industrial zoning, and agricultural planning” (Shikaki, 2021, p. 38).

Aside from this legal framework, where Israel controls economic policies in the OPT, the Oslo Accords also physically fragmented the territories in its classification of Area A, Area B, and Area C. Through checkpoints and military presence, this restricts mobility and continuation between palestinian areas, which is a form of projecting Israeli power through divide and conquer tactics. Dependency is perpetuated on many fronts: in the political realm (lack of decision-making power), physical realm (lack of mobility, military subjugation, fragmentation), and the economic realm (constrained resources and trade freedom). The dependency framework is relevant to the analysis of the contemporary political economy as it allows for the analysis for the surviving versions of colonialism. It is a good stepping stone to conduct how what in the OPT surpasses typical dependency, but reaches ‘brutal dispossession’ (Sayigh, 1986, p. 53)

On Linkages

The two channels discussed in this paper, debt and settler colonies, connect as debt, in the form of taxpayer money, props up settler colonies such as Israel. The United States is Israel’s largest provider of aid, and as of 2023, it has provided it with $158 billion, almost all in the form of military assistance (Sharp, 2023). In 2016, the Israeli and American government signed a Memorandum Of Understanding, which over the course of 10 years, will provide Israel with a $38 billion package in military aid (Sharp, 2023).The United States’ historical and present financial support of the state of Israel ensures that its interests are upheld in the Middle East

(Wang, 2021). This is relevant to the dependency framework as it portrays how countries in the core support each other, and such support in relation to military power ensures that the Occupied Palestinian Territories are controlled in a position of dependency.

This paper explored more contemporary cases of how dependency theory, and in turn a general framework, is useful in explaining why development does not follow what is projected by modernization theory. When examining debt and Structural Adjustment Programmes (SAPs), it is evident how conditions such as privatization and slashes in public spending make it more difficult for economies to break out from a state of dependency. In the case of Israel/Palestine, this paper showcased how a state of dependency is manufactured, where the Israeli state exerts its control through political, economic, and physical dimensions. Dependency theory is relevant to the contemporary political economy as it historicizes development and unearths a better understanding of it in the context of uneven power, whether against the forces of an occupying power or the Troika.

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