**DEPENDENCY THEORY**

Dependency theory differs from most Western approaches to studying political development. One difference is that this approach originated in the Third World (primarily Latin America), rather than among Western academics. Third World dependency thinkers were concerned with explaining the unequal and unjust situations in which they and their nations found themselves. Third World countries were poor while "developed" countries were rich. Third World countries had bad health conditions, while other countries had good health conditions. Third World countries had little military power, while other countries had tremendous military resources. Third World countries faced starvation, while citizens of other countries had to worry about losing weight. Third World economies were monoproductive and agriculturally based, while economies in developed countries were diversified and industrialized. By almost any conventional socioeconomic measure, Third World countries were at the bottom of the scale. They had less education, less wealth, poorer health, less military power, and were dominated politically and economically by the First World. Dependency theorists asked why such inequalities existed. **Their central concern was to understand the causes of inequality.** They felt that such inequalities were unjust, and sought to explain inequalities in order to change them and achieve their goal of increased equality among nations and peoples. Dependency theory has always been quite controversial: it incorporates some Marxist concepts; it addresses the sensitive issue of inequality, blaming inequality on the developed nations; and it originates in the Third World. Some aspects of liberation theology and world systems theory are related to dependency theory.

**MAJOR PROPOSITIONS OF DEPENDENCY THEORY**

1. **Third World** countries do not exist in isolation. They can only be understood in the context of the world economic and political system. Political events in Third World countries are directly related to events in **First World** countries. However, relations between First and Third World countries are asymmetrical. T he flow of power and control is from the First World (**center** or **core**) to the Third World (**periphery**). Political and economic events in the First World have a huge impact on the politics and economics of Third World countries, but Third World political and economic events usually have little impact on the First World.

2. Within the world political and economic system there is a tremendous amount of interaction among core countries and peoples, and between the core and the periphery. There is very little interaction just among periphery countries. The consequences of this are great, resulting in an isolated and weak periphery country having an unequal relationship with the united and strong core.

3. ***Politics and economics are related****. They can not be understood apart from each other. Economic ties and relationships between core and periphery countries are particularly important. These are advantageous for the core, and disadvantageous for the periphery. Core-periphery trading patterns result in continuous growth of political and economic power for the core at the expense of the periphery.****Economic trade causes a widening of the gap between developed and developing countries, rather than a narrowing of that gap.***Historically, lower priced raw materials have been exchanged for higher priced finished goods.

4. It follows from #3 that underdevelopment is not a natural state, but rather a condition that is caused. The fact is that **developed nations are actively underdeveloping Third World countries** as a result of the systems of interactions between them.

5. Put another way, the underdevelopment of weak Third World countries is directly related to, and makes possible, the "development" of the powerful countries of the industrialized core. Both the center and the periphery are part of the world political-economic system, and neither would exist without the other.

6. Furthermore, so long as capitalism remains the dominant world economic system, there is no reason for the situation of developed and underdeveloped countries to change. Underdevelopment is not a temporary condition, as had been thought in the past, but is a permanent condition. In fact, if the present world system does not change we can expect the core to become more powerful and the periphery weaker in the future. **Rather than "catching up" to the developed countries, most currently underdeveloped countries will fall farther behind.** (In a limited number of cases, where exceptional circumstances exist, it may be possible for an underdeveloped country to move from the periphery to the core.)

7. **The worldwide system of relationships is duplicated within individual Third World countries.** There is a core area (usually the capital) which dominates and exploits the periphery (interior) of the country. The nation's centers of economic, political, cultural, and military power are found in the national core, and the core's power and wealth grows more rapidly than that of the interior as a result of contacts and interactions between the two areas. The urban sector becomes increasingly powerful, while the rural sector becomes increasingly weaker. Resources flow from the periphery to the center. The core profits at the expense of the periphery as a result of the movement of products and resources. The passage of time does not bring a growing equality within the country, but rather brings about an increasing gap between life in the capital and that in the countryside. 8. In a sense, national leaders in the capital exploit the people for their own personal benefit and power. Consequently, these "national" leaders could really be conceptualized as agents of the international system. Their national power and prominence derive from their international contacts. It is they (the military, government officials, and commercial and financial leaders) who act as links between the Third World country and the world political and economic system. They direct the country's contacts with the world, and they direct those contacts in such a way that the world core benefits more than their own country, although they themselves clearly benefit at a personal level. These national leaders may actually have more in common with their counterparts in London or New York than they do with interior citizens of their own country. (style of dress, food, literature, housing, travel, economic interests, etc.)

**SOLUTIONS**

Not only do dependency theorists present a conceptual framework for analyzing Third World politics, they also suggest several "solutions" for the central problem of inequality. The range of solutions is wide, for there is a great deal of variety among dependency theorists. At one extreme are those we might call the "moderates," including men such as Raul Prebisch. They argue that Third World countries can take steps to improve their situation. One suggestion would be the formation of common markets, trading blocs, or cartels. The idea is that Third World countries share many common economic and trading problems in their relations with the industrialized core. By joining together and presenting a common front to the core they will gain leverage, and be able to secure greater advantages from their interactions with world core countries. By forming groups or cartels the periphery nations will have more power than any individual Third World country has in its relations with the core.[So far this "cartel" solution has proven elusive, due to technological innovations which replace natural products, flexible demand at the core, and cartel "cheaters".]

A second suggestion for improving the situation is to force Third World country elites to confront their country's condition of dependency, and take voluntary steps to alter it. Thus elites in the capital might be convinced to use some of their wealth to invest in national construction projects or literacy programs, rather than importing luxury automobiles or taking expensive vacations abroad. The goal is for the elites to suspend their selfish habits of conspicuous consumption, and to use their wealth for national development. The elites would be encouraged to invest in their home countries, rather than abroad. Attempts to change elite behavior have generally not been very successful.

More radical dependency theorists call for revolutionary solutions. They argue that it is unrealistic to expect those currently in positions of power to take voluntary actions which would be personally disadvantageous. Altruistic solutions are nice in the abstract, but are unlikely to be implemented in reality. The only realistic solution is revolutionary action to rid the country of those leaders who have betrayed it, and to institute sweeping revolutionary change to end inequality.

It should be noted in conclusion that the dependency position is fundamentally anti-status quo. Dependency theorists argue that existing national and international economic and political systems are the cause of their unjust situations. They call for systemic change to solve the problems. They want abrupt, non-linear, fundamental change. Rather than endorsing and embracing stability, they call for radical change. Their perceptions, analytical approach, and solutions are vastly different from those of diffusion or order approach theorists. Stability is the solution for order theorists; stability is the problem for dependency theorists.

**Diagram 1. Dependency Theory View of the World**

|  |
| --- |
| https://udel.edu/~jdeiner/depend1.gif |

**Diagram 2. Dependency Theory View of the Relationship between**
**the National Core, the Rest of the Nation, and the World System**

|  |
| --- |
| https://udel.edu/~jdeiner/depend2.gif |

**Background**

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. Such a possibility was not predicted by neoclassical theory, which had assumed that economic growth was beneficial to all (Pareto 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 who 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. 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.

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. 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. However, Marxists theorists viewed the persistent poverty as a consequence of capitalist exploitation. And a new body of thought, called the *world systems approach*, argued that the poverty was a direct consequence of the evolution of the international political economy into a fairly rigid division of labor which favored the rich and penalized the poor.

**How Can One Define Dependency Theory?**

The debates among the liberal reformers (Prebisch), the Marxists (Andre Gunder Frank), and the world systems theorists (Wallerstein) was vigorous and intellectually quite challenging. There are still points of serious disagreements among the various strains of dependency theorists and it is a mistake to think that there is only one unified theory of dependency. Nonetheless, there are some core propositions which seem to underlie the analyses of most dependency theorists.

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 (Osvaldo Sunkel, "National Development Policy and External Dependence in Latin America," *The Journal of Development Studies*, Vol. 6, no. 1, October 1969, p. 23). Theotonio Dos Santos 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.

(Theotonio Dos Santos, "The Structure of Dependence," in K.T. Fann and Donald C. Hodges, eds., *Readings in U.S. Imperialism.*Boston: Porter Sargent, 1971, p. 226)

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 industiral nations in the Organization of Economic Co-operation 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.

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. 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.

Susanne Bodenheimer, "Dependency and Imperialism: The Roots of Latin American Underdevelopment," in Fann and Hodges, *Readings, op. cit.,*p. 157.

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.

**The Structural Context of Dependency: Is it Capitalism or is it Power?**

Most dependency theorists regard international capitalism as the motive force behind dependency relationships. Andre Gunder Frank, one of the earliest dependency theorists, is quite clear on this point:

...historical research demonstrates that contemporary underdevelopment is in large part the historical product of past and continuing eonomic and other relations between the satellite underdeveloped and the now developed metropolitan countries. Furthermore, these relations are an essential part of the capitalist system on a world scale as a whole.

Andre Gunder Frank, "The Development of Underdevelopment," in James D. Cockcroft, Andre Gunder Frank, and Dale Johnson, eds., *Dependence and Underdevelopment*. Garden City, New York: Anchor Books, 1972, p. 3.

According to this view, the capitalist system has enforced a rigid international division of labor which is responsible for the underdevelopment of many areas of the world. The dependent states supply cheap minerals, agricultural commodities, and cheap labor, and also serve as the repositories of surplus capital, obsolescent technologies, and manufactured goods. These functions orient the economies of the dependent states toward the outside: money, goods, and services do flow into dependent states, but the allocation of these resources are determined by the economic interests of the dominant states, and not by the economic interests of the dependent state. This division of labor is ultimately the explanation for poverty and there is little question but that capitalism regards the division of labor as a necessary condition for the efficient allocation of resources. The most explicit manifestation of this characteristic is in the doctrine of comparative advantage.

Moreover, to a large extent the dependency models rest upon the assumption that economic and political power are heavily concentrated and centralized in the industrialized countries, an assumption shared with Marxist theories of imperialism. If this assumption is valid, then any distinction between economic and political power is spurious: governments will take whatever steps are necessary to protect private economic interests, such as those held by multinational corporations.

Not all dependency theorists, however, are Marxist and one should clearly distinguish between dependency and a theory of imperialism. The Marxist theory of imperialism explains dominant state *expansion* while the dependency theory explains *underdevelopment.* Stated another way, Marxist theories explain the reasons why imperialism occurs, while dependency theories explain the consequences of imperialism. The difference is significant. In many respects, imperialism is, for a Marxist, part of the process by which the world is transformed and is therefore a process which accelerates the communist revolution. Marx spoke approvingly of British colonialism in India:

England has to fulfil a double mission in India: one destructive, the other regenerating--the annihilation of old Asiatic society, and the laying of the material foundations of Western society in Asia.

Karl Marx, "The Future Results of the British Rule in India," *New York Daily Tribune*, No. 3840, August 8, 1853.

For the dependency theorists, underdevelopment is a wholly negative condition which offers no possibility of sustained and autonomous economic activity in a dependent state.

Additionally, the Marxist theory of imperialism is self-liquidating, while the dependent relationship is self-perpetuating. The end of imperialism in the Leninist framework comes about as the dominant powers go to war over a rapidly shrinking number of exploitable opportunities. World War I was, for Lenin, the classic proof of this proposition. After the war was over, Britain and France took over the former German colonies. A dependency theorist rejects this proposition. A dependent relationship exists irrespective of the specific identity of the dominant state. That the dominant states may fight over the disposition of dependent territories is not in and of itself a pertinent bit of information (except that periods of fighting among dominant states affords opportunities for the dependent states to break their dependent relationships). To a dependency theorist, the central characteristic of the global economy is the persistence of poverty throughout the entire modern period in virtually the same areas of the world, regardless of what state was in control.

Finally, there are some dependency theorists who do not identify capitalism as the motor force behind a dependent relationship. The relationship is maintained by a system of power first and it does not seem as if power is only supported by capitalism. For example, the relationship between the former dependent states in the socialist bloc (the Eastern European states and Cuba, for example) closely paralleled the relationships between poor states and the advanced capitalist states. The possibility that dependency is more closely linked to disparities of power rather than to the particular characteristics of a given economic system is intriguing and consistent with the more traditional analyses of international relations, such as realism.

**The Central Propositions of Dependency Theory**

There are a number of propositions, all of which are contestable, which form the core of dependency theory. These propositions include:

1.*Underdevelopment* is a condition fundamentally different from *undevelopment*. The latter term 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.

2. The distinction between underdevelopment and undevelopment places the poorer countries of the world is 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.

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.

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.

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.

**The Policy Implications of Dependency Analysis**

If one accepts the analysis of dependency theory, then the questions of how poor economies develop become quite different from the traditional questions concerning comparative advantage, capital accumulation, and import/export strategies. Some of the most important new issues include:

1. The success of the advanced industrial economies does not serve as a model for the currently developing economies. When economic development became a focused area of study, the analytical strategy (and ideological preference) was quite clear: all nations need to emulate the patterns used by the rich countries. Indeed, in the 1950s and 1960s there was a paradigmatic consensus that growth strategies were universally applicable, a consensus best articulated by Walt Rostow in his book, *The Stages of Economic Growth.* Dependency theory suggests that the success of the richer countries was a highly contingent and specific episode in global economic history, one dominated by the highly exploitative colonial relationships of the European powers. A repeat of those relationships is not now highly likely for the poor countries of the world.

2. Dependency theory repudiates the central distributive mechanism of the neoclassical model, what is usually called "trickle-down" economics. The neoclassical model of economic growth pays relatively little attention to the question of distribution of wealth. Its primary concern is on efficient production and assumes that the market will allocate the rewards of efficient production in a rational and unbiased manner. This assumption may be valid for a well-integrated, economically fluid economy where people can quickly adjust to economic changes and where consumption patterns are not distorted by non-economic forces such as racial, ethnic, or gender bias. These conditions are not pervasive in the developing economies, and dependency theorists argue that economic activity is not easily disseminated in poor economies. For these structural reasons, dependency theorists argue that the market alone is not a sufficient distributive mechanism.

3. Since the market only rewards productivity, dependency theorists discount aggregate measures of economic growth such as the GDP or trade indices. Dependency theorists do not deny that economic activity occurs within a dependent state. They do make a very important distinction, however, between economic growth and economic development. For example, there is a greater concern within the dependency framework for whether the economic activity is actually benefitting the nation as a whole. Therefore, far greater attention is paid to indices such as life expectancy, literacy, infant mortality, education, and the like. Dependency theorists clearly emphasize social indicators far more than economic indicators.

4. Dependent states, therefore, should attempt to pursue policies of self-reliance. Contrary to the neo-classical models endorsed by the International Monetary Fund and the World Bank, greater integration into the global economy is not necessarily a good choice for poor countries. Often this policy perspective is viewed as an endorsement of a policy of autarky, and there have been some experiments with such a policy such as China's Great Leap Forward or Tanzania's policy of *Ujamaa*. The failures of these policies are clear, and the failures suggest that autarky is not a good choice. Rather a policy of self-reliance should be interpreted as endorsing a policy of controlled interactions with the world economy: ppor countries should only endorse interactions on terms that promise to improve the social and economic welfare of the larger citizenry.

**Dependency theory** is the notion that resources flow from a "periphery" of poor and [underdeveloped states](https://en.wikipedia.org/wiki/Developing_country) to a "core" of [wealthy states](https://en.wikipedia.org/wiki/Developed_country), enriching the latter at the expense of the former. It is a central contention of dependency theory that poor states are impoverished and rich ones enriched by the way poor states are integrated into the "[world system](https://en.wikipedia.org/wiki/World_system)". This theory was officially developed in the late 1960s following World War II, as scholars searched for the root issue in the lack of development in [Latin America](https://en.wikipedia.org/wiki/Latin_America)[[1]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-1)

The theory arose as a reaction to [modernization theory](https://en.wikipedia.org/wiki/Modernization_theory), an earlier [theory of development](https://en.wikipedia.org/wiki/Development_theory) which held that all societies progress through similar stages of development, that today's underdeveloped areas are thus in a similar situation to that of today's developed areas at some time in the past, and that, therefore, the task of helping the underdeveloped areas out of [poverty](https://en.wikipedia.org/wiki/Poverty) is to accelerate them along this supposed common path of development, by various means such as [investment](https://en.wikipedia.org/wiki/Investment), [technology transfers](https://en.wikipedia.org/wiki/Technology_transfer), and closer integration into the [world market](https://en.wikipedia.org/wiki/World_economy). Dependency theory rejected this view, arguing that underdeveloped countries are not merely primitive versions of developed countries, but have unique features and [structures](https://en.wikipedia.org/wiki/Structuralism) of their own; and, importantly, are in the situation of being the weaker members in a world [market economy](https://en.wikipedia.org/wiki/Market_economy).[[2]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-2)

Dependency theory no longer has many proponents as an overall theory[[*citation needed*](https://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed)], though some writers have argued for its continuing relevance as a conceptual orientation to the global division of wealth.[[3]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-3) Dependency theorists typically divides into two different categories surrounding the theory: liberal reformists and neo-Marxists. Those that align with liberal reformists typically believe that targeted policy intervention is the most effective approach to improving lives. Comparatively, neo-Marxists believe a command centered economy is the more effective approach to improving lives.[[4]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-4)



## Contents

* [1History](https://en.wikipedia.org/wiki/Dependency_theory#History)
* [2Other theorists and related theories](https://en.wikipedia.org/wiki/Dependency_theory#Other_theorists_and_related_theories)
* [3Criticism](https://en.wikipedia.org/wiki/Dependency_theory#Criticism)
* [4Examples of Dependency Theory](https://en.wikipedia.org/wiki/Dependency_theory#Examples_of_Dependency_Theory)
* [5Aid dependency](https://en.wikipedia.org/wiki/Dependency_theory#Aid_dependency)
	+ [5.1History of aid dependence](https://en.wikipedia.org/wiki/Dependency_theory#History_of_aid_dependence)
	+ [5.2Motives for giving aid](https://en.wikipedia.org/wiki/Dependency_theory#Motives_for_giving_aid)
	+ [5.3Stunted economic growth](https://en.wikipedia.org/wiki/Dependency_theory#Stunted_economic_growth)
	+ [5.4Political dependency](https://en.wikipedia.org/wiki/Dependency_theory#Political_dependency)
	+ [5.5Corruption](https://en.wikipedia.org/wiki/Dependency_theory#Corruption)
	+ [5.6Efforts to end aid dependence](https://en.wikipedia.org/wiki/Dependency_theory#Efforts_to_end_aid_dependence)
	+ [5.7Countering political corruption](https://en.wikipedia.org/wiki/Dependency_theory#Countering_political_corruption)
	+ [5.8Other methods of aid](https://en.wikipedia.org/wiki/Dependency_theory#Other_methods_of_aid)
	+ [5.9Aid dependency in Africa](https://en.wikipedia.org/wiki/Dependency_theory#Aid_dependency_in_Africa)
* [6See also](https://en.wikipedia.org/wiki/Dependency_theory#See_also)
* [7References](https://en.wikipedia.org/wiki/Dependency_theory#References)
* [8Further reading](https://en.wikipedia.org/wiki/Dependency_theory#Further_reading)
* [9External links](https://en.wikipedia.org/wiki/Dependency_theory#External_links)

## History[[edit](https://en.wikipedia.org/w/index.php?title=Dependency_theory&action=edit&section=1)]

Dependency theory originates with two papers published in 1949 – one by [Hans Singer](https://en.wikipedia.org/wiki/Hans_Singer), one by [Raúl Prebisch](https://en.wikipedia.org/wiki/Ra%C3%BAl_Prebisch) – in which the authors observe that the [terms of trade](https://en.wikipedia.org/wiki/Terms_of_trade) for underdeveloped countries relative to the developed countries had deteriorated over time: the underdeveloped countries were able to purchase fewer and fewer [manufactured goods](https://en.wikipedia.org/wiki/Final_good) from the developed countries in exchange for a given quantity of their raw materials exports. This idea is known as the [Prebisch–Singer thesis](https://en.wikipedia.org/wiki/Prebisch%E2%80%93Singer_hypothesis). Prebisch, an Argentine economist at the [United Nations Commission for Latin America](https://en.wikipedia.org/wiki/United_Nations_Economic_Commission_for_Latin_America_and_the_Caribbean) (UNCLA), went on to conclude that the underdeveloped nations must employ some degree of [protectionism](https://en.wikipedia.org/wiki/Protectionism) in trade if they were to enter a self-sustaining development path. He argued that [import-substitution industrialisation](https://en.wikipedia.org/wiki/Import_substitution_industrialization) (ISI), not a [trade-and-export orientation](https://en.wikipedia.org/wiki/Export-oriented_industrialization), was the best strategy for underdeveloped countries.[[5]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-5) The theory was developed from a [Marxian](https://en.wikipedia.org/wiki/Marxian_economics) perspective by [Paul A. Baran](https://en.wikipedia.org/wiki/Paul_A._Baran) in 1957 with the publication of his *The Political Economy of Growth*.[[6]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-6) Dependency theory shares many points with earlier, Marxist, theories of [imperialism](https://en.wikipedia.org/wiki/Imperialism) by [Rosa Luxemburg](https://en.wikipedia.org/wiki/Rosa_Luxemburg) and [Vladimir Lenin](https://en.wikipedia.org/wiki/Vladimir_Lenin), and has attracted continued interest from Marxists. Some authors identify two main streams in dependency theory: the Latin American [Structuralist](https://en.wikipedia.org/wiki/Structuralist_economics), typified by the work of Prebisch, [Celso Furtado](https://en.wikipedia.org/wiki/Celso_Furtado), and [Aníbal Pinto](https://en.wikipedia.org/wiki/An%C3%ADbal_Pinto_Santa_Cruz) at the United Nations Economic Commission for Latin America (ECLAC, or, in Spanish, CEPAL); and the American Marxist, developed by [Paul A. Baran](https://en.wikipedia.org/wiki/Paul_A._Baran), [Paul Sweezy](https://en.wikipedia.org/wiki/Paul_Sweezy), and [Andre Gunder Frank](https://en.wikipedia.org/wiki/Andre_Gunder_Frank).

Using the Latin American dependency model, the Guyanese Marxist historian [Walter Rodney](https://en.wikipedia.org/wiki/Walter_Rodney), in his book [*How Europe Underdeveloped Africa*](https://en.wikipedia.org/wiki/How_Europe_Underdeveloped_Africa), described in 1972 an Africa that had been consciously exploited by European imperialists, leading directly to the modern underdevelopment of most of the continent.[[7]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-7)

The theory was popular in the 1960s and 1970s as a criticism of modernization theory, which was falling increasingly out of favor because of continued widespread poverty in much of the world. At that time the assumptions of liberal theories of development were under attack.[[8]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-8) It was used to explain the causes of [overurbanization](https://en.wikipedia.org/wiki/Overurbanization), a theory that urbanization rates outpaced industrial growth in several developing countries.[[9]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-Shandra-9)

The Latin American Structuralist and the American Marxist schools had significant differences but agreed on some basic points:[[*citation needed*](https://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed)]

[B]oth groups would agree that at the core of the dependency relation between center and periphery lays [lies] the inability of the periphery to develop an autonomous and dynamic process of technological innovation. Technology – the Promethean force unleashed by the [Industrial Revolution](https://en.wikipedia.org/wiki/Industrial_Revolution) – is at the center of stage. The Center countries controlled the technology and the systems for generating technology. Foreign [capital](https://en.wikipedia.org/wiki/Capital_%28economics%29) could not solve the problem, since it only led to limited transmission of technology, but not the process of innovation itself. Baran and others frequently spoke of the [international division of labour](https://en.wikipedia.org/wiki/International_division_of_labour) – skilled workers in the center; unskilled in the periphery – when discussing key features of dependency.

Baran placed surplus extraction and [capital accumulation](https://en.wikipedia.org/wiki/Capital_accumulation) at the center of his analysis. Development depends on a population's producing more than it needs for bare subsistence (a surplus). Further, some of that surplus must be used for capital accumulation – the purchase of new [means of production](https://en.wikipedia.org/wiki/Means_of_production) – if development is to occur; spending the surplus on things like luxury consumption does not produce development. Baran noted two predominant kinds of economic activity in poor countries. In the older of the two, plantation agriculture, which originated in [colonial times](https://en.wikipedia.org/wiki/Colonialism), most of the surplus goes to the landowners, who use it to emulate the consumption patterns of wealthy people in the developed world; much of it thus goes to purchase foreign-produced luxury items –automobiles, clothes, etc. – and little is accumulated for investing in development. The more recent kind of economic activity in the periphery is industry—but of a particular kind. It is usually carried out by foreigners, although often in conjunction with local interests. It is often under special [tariff](https://en.wikipedia.org/wiki/Tariff) protection or other government concessions. The surplus from this production mostly goes to two places: part of it is sent back to the foreign [shareholders](https://en.wikipedia.org/wiki/Shareholder) as [profit](https://en.wikipedia.org/wiki/Profit_%28economics%29); the other part is spent on conspicuous consumption in a similar fashion to that of the plantation aristocracy. Again, little is used for development. Baran thought that political revolution was necessary to break this pattern.

In the 1960s, members of the Latin American Structuralist school argued that there is more latitude in the system than the Marxists believed. They argued that it allows for partial development or "dependent development"–development, but still under the control of outside decision makers. They cited the partly successful attempts at [industrialisation](https://en.wikipedia.org/wiki/Industrialisation) in Latin America around that time (Argentina, Brazil, Mexico) as evidence for this hypothesis. They were led to the position that dependency is not a relation between commodity exporters and industrialised countries, but between countries with different degrees of industrialisation. In their approach, there is a distinction made between the economic and political spheres: economically, one may be developed or underdeveloped; but even if (somewhat) economically developed, one may be politically autonomous or dependent.[[10]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-10)[[*page needed*](https://en.wikipedia.org/wiki/Wikipedia%3ACiting_sources)] More recently, [Guillermo O'Donnell](https://en.wikipedia.org/wiki/Guillermo_O%27Donnell) has argued that constraints placed on development by [neoliberalism](https://en.wikipedia.org/wiki/Neoliberalism) were lifted by the military coups in Latin America that came to promote development in authoritarian guise (O'Donnell, 1982).[[11]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-11)

The importance of [multinational corporations](https://en.wikipedia.org/wiki/Multinational_corporation) and state promotion of technology were emphasised by the Latin American Structuralists.

Fajnzybler has made a distinction between systemic or authentic competitiveness, which is the ability to compete based on higher productivity, and spurious competitiveness, which is based on low wages.[[12]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-12)

The [third-world debt](https://en.wikipedia.org/wiki/Debt_of_developing_countries) crisis of the 1980s and continued stagnation in Africa and Latin America in the 1990s caused some doubt as to the feasibility or desirability of "dependent development".[[13]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-13)

The *sine qua non* of the dependency relationship is not the difference in technological sophistication, as traditional dependency theorists believe, but rather the difference in financial strength between core and peripheral countries–particularly the inability of peripheral countries to borrow in their own currency. He believes that the [hegemonic](https://en.wikipedia.org/wiki/Hegemony) position of the United States is very strong because of the importance of its financial markets and because it controls the international [reserve currency](https://en.wikipedia.org/wiki/Reserve_currency) – the [US dollar](https://en.wikipedia.org/wiki/United_States_dollar). He believes that the end of the [Bretton Woods international financial agreements](https://en.wikipedia.org/wiki/Bretton_Woods_system) in the early 1970s considerably strengthened the United States' position because it removed some constraints on their financial actions.

"Standard" dependency theory differs from Marxism, in arguing against [internationalism](https://en.wikipedia.org/wiki/Internationalism_%28politics%29) and any hope of progress in less developed nations towards industrialization and a liberating revolution. Theotonio dos Santos described a "new dependency", which focused on both the internal and external relations of less-developed countries of the periphery, derived from a Marxian analysis. Former Brazilian President [Fernando Henrique Cardoso](https://en.wikipedia.org/wiki/Fernando_Henrique_Cardoso) (in office 1995–2002) wrote extensively on dependency theory while in political exile during the 1960s, arguing that it was an approach to studying the economic disparities between the centre and periphery. Cardoso summarized his version of dependency theory as follows:

* there is a financial and technological penetration by the developed capitalist centers of the countries of the periphery and semi-periphery;
* this produces an unbalanced economic structure both within the peripheral societies and between them and the centers;
* this leads to limitations on self-sustained growth in the periphery;
* this favors the appearance of specific patterns of [class](https://en.wikipedia.org/wiki/Social_class) relations;
* these require modifications in the role of the state to guarantee both the functioning of the economy and the political articulation of a society, which contains, within itself, foci of inarticulateness and structural imbalance.[[14]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-14)

The analysis of development patterns in the 1990s and beyond is complicated by the fact that capitalism develops not smoothly, but with very strong and self-repeating ups and downs, called cycles. Relevant results are given in studies by Joshua Goldstein, Volker Bornschier, and Luigi Scandella.[[15]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-:0-15)

With the economic growth of India and some East Asian economies, dependency theory has lost some of its former influence. It still influences some [NGO](https://en.wikipedia.org/wiki/NGO) campaigns, such as [Make Poverty History](https://en.wikipedia.org/wiki/Make_Poverty_History) and the [fair trade](https://en.wikipedia.org/wiki/Fair_trade) movement.

## Other theorists and related theories[[edit](https://en.wikipedia.org/w/index.php?title=Dependency_theory&action=edit&section=2)]

Two other early writers relevant to dependency theory were [François Perroux](https://en.wikipedia.org/wiki/Fran%C3%A7ois_Perroux) and [Kurt Rothschild](https://en.wikipedia.org/wiki/Kurt_W._Rothschild). Other leading dependency theorists include Herb Addo, [Walden Bello](https://en.wikipedia.org/wiki/Walden_Bello), Ruy Mauro Marini, Enzo Faletto, Armando Cordova, Ernest Feder, Pablo González Casanova, [Keith Griffin](https://en.wikipedia.org/wiki/Keith_Griffin_%28economist%29), [Kunibert Raffer](https://en.wikipedia.org/wiki/Kunibert_Raffer), Paul Israel Singer, and Osvaldo Sunkel. Many of these authors focused their attention on Latin America; the leading dependency theorist in the Islamic world is the Egyptian economist [Samir Amin](https://en.wikipedia.org/wiki/Samir_Amin).[[15]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-:0-15)

Tausch,[[15]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-:0-15) based on works of Amin from 1973 to 1997, lists the following main characteristics of periphery capitalism:

1. Regression in both agriculture and small scale industry characterizes the period after the onslaught of foreign domination and colonialism
2. Unequal international specialization of the periphery leads to the concentration of activities in export-oriented agriculture and or mining. Some industrialization of the periphery is possible under the condition of low wages, which, together with rising productivity, determine that unequal exchange sets in (double factorial terms of trade < 1.0; see Raffer, 1987)[[*full citation needed*](https://en.wikipedia.org/wiki/Wikipedia%3ACiting_sources#What_information_to_include)]
3. These structures determine in the long run a rapidly growing tertiary sector with hidden unemployment and the rising importance of rent in the overall social and economic system
4. Chronic current account balance deficits, re-exported profits of foreign investments, and deficient business cycles at the periphery that provide important markets for the centers during world economic upswings
5. Structural imbalances in the political and social relationships, inter alia a strong '[compradore](https://en.wiktionary.org/wiki/comprador)' element and the rising importance of state capitalism and an indebted state class[[15]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-:0-15)

The American sociologist [Immanuel Wallerstein](https://en.wikipedia.org/wiki/Immanuel_Wallerstein) refined the Marxist aspect of the theory and expanded on it, to form [world-systems theory](https://en.wikipedia.org/wiki/World-systems_theory). World Systems Theory is also known as WST and aligns closely with the idea of the "rich get richer and the poor get poorer" [Wallerstein](https://en.wikipedia.org/wiki/Immanuel_Wallerstein) states that the poor and [peripheral](https://en.wikipedia.org/wiki/Periphery_countries) nations continue to get more poor as the developed core nations use their resources to become richer. [[16]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-16) Wallerstein developed the World Systems Theory utilizing the Dependence theory along with the ideas of Marx and the [Annales School](https://en.wikipedia.org/wiki/Annales_school).[[17]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-17) This theory postulates a third category of countries, the *semi-periphery*, intermediate between the core and periphery. Wallerstein believed in a tri-modal rather than a bi-modal system because he viewed the world-systems as more complicated than a simplistic classification as either core or periphery nations. To Wallerstein, many nations do not fit into one of these two categories, so he proposed the idea of a semi-periphery as an in between state within his model.[[18]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-18) In this model, the semi-periphery is industrialized, but with less sophistication of technology than in the core; and it does not control finances. The rise of one group of semi-peripheries tends to be at the cost of another group, but the unequal structure of the world economy based on unequal exchange tends to remain stable.[[15]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-:0-15) Tausch[[15]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-:0-15) traces the beginnings of world-systems theory to the writings of the Austro-Hungarian socialist [Karl Polanyi](https://en.wikipedia.org/wiki/Karl_Polanyi) after the [First World War](https://en.wikipedia.org/wiki/World_War_I), but its present form is usually associated with the work of Wallerstein.

Dependency theory has also been associated with [Johan Galtung](https://en.wikipedia.org/wiki/Johan_Galtung)'s structural theory of imperialism.

Dependency theorists hold that short-term spurts of growth notwithstanding, long-term growth in the periphery will be imbalanced and unequal, and will tend towards high negative [current account](https://en.wikipedia.org/wiki/Current_account_%28balance_of_payments%29) balances.[[15]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-:0-15) Cyclical fluctuations also have a profound effect on cross-national comparisons of economic growth and societal development in the medium and long run. What seemed like spectacular long-run growth may in the end turn out to be just a short run cyclical spurt after a long recession. Cycle time plays an important role. [Giovanni Arrighi](https://en.wikipedia.org/wiki/Giovanni_Arrighi) believed that the logic of accumulation on a world scale shifts over time, and that the 1980s and beyond once more showed a deregulated phase of world capitalism with a logic, characterized - in contrast to earlier regulatory cycles - by the dominance of financial capital.[[15]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-:0-15)

It is argued that, at this stage, the role of [unequal exchange](https://en.wikipedia.org/wiki/Unequal_exchange) in the entire relationship of dependency cannot be underestimated.[[*clarification needed*](https://en.wikipedia.org/wiki/Wikipedia%3APlease_clarify)] Unequal exchange is given if double factorial terms of trade of the respective country are < 1.0 (Raffer, 1987, Amin, 1975)[[*full citation needed*](https://en.wikipedia.org/wiki/Wikipedia%3ACiting_sources#What_information_to_include)].

The former ideological head of the [Blekingegade Gang](https://en.wikipedia.org/wiki/Blekingegade_Gang) and political activist [Torkil Lauesen](https://en.wikipedia.org/w/index.php?title=Torkil_Lauesen&action=edit&redlink=1) argues in his book *The Global Perspective* that political theory and practice stemming from dependency theory are more relevant than ever.[[19]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-Lauesen2018-19) He postulates that the conflict between countries in the core and countries in the periphery has been ever-intensifying and that the world is at the onset of a resolution of the core-periphery contradiction – that humanity is "in for an economic and political rollercoaster ride".[[19]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-Lauesen2018-19)

## Criticism[[edit](https://en.wikipedia.org/w/index.php?title=Dependency_theory&action=edit&section=3)]

Economic policies based on dependency theory have been criticized by [free-market](https://en.wikipedia.org/wiki/Free_market) economists such as [Peter Bauer](https://en.wikipedia.org/wiki/Peter_Thomas_Bauer) and [Martin Wolf](https://en.wikipedia.org/wiki/Martin_Wolf) and others:[[20]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-20)

* Lack of competition: by subsidizing in-country industries and preventing outside imports, these companies may have less incentive to improve their products, to try to become more efficient in their processes, to please customers, or to research new innovations.[[21]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-21)
* Sustainability: industries reliant on government support may not be sustainable for very long, particularly in poorer countries and countries which largely depend on foreign aid from more developed countries.[[*citation needed*](https://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed)]
* Domestic opportunity costs: subsidies on domestic industries come out of state coffers and therefore represent money not spent in other ways, like development of domestic infrastructure, seed capital or need-based social welfare programs.[[*citation needed*](https://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed)] At the same time, the higher prices caused by tariffs and restrictions on imports require the people either to forgo these goods altogether or buy them at higher prices, forgoing other goods.[[*citation needed*](https://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed)]

Market economists cite a number of examples in their arguments against dependency theory. The improvement of [India](https://en.wikipedia.org/wiki/India)'s economy after it moved from state-controlled business to open trade is one of the most often cited (*see also* [economy of India](https://en.wikipedia.org/wiki/Economy_of_India), [*The Commanding Heights*](https://en.wikipedia.org/wiki/The_Commanding_Heights)). India's example seems to contradict dependency theorists' claims concerning comparative advantage and mobility, as much as its economic growth originated from movements such as [outsourcing](https://en.wikipedia.org/wiki/Outsourcing) – one of the most mobile forms of capital transfer. [South Korea](https://en.wikipedia.org/wiki/South_Korea) and [North Korea](https://en.wikipedia.org/wiki/North_Korea) provide another example of trade-based development vs. autocratic self-sufficiency. Following the Korean War, North Korea pursued a policy of [import substitution industrialization](https://en.wikipedia.org/wiki/Import_substitution_industrialization) as suggested by dependency theory, while South Korea pursued a policy of [export-oriented industrialization](https://en.wikipedia.org/wiki/Export-oriented_industrialization) as suggested by comparative advantage theory. In 2013, South Korea's per capita GDP was 18 times that of North Korea. In Africa, states which have emphasized import-substitution development, such as [Zimbabwe](https://en.wikipedia.org/wiki/Zimbabwe), have typically been among the worst performers, while the continent's most successful non-oil based economies, such as [Egypt](https://en.wikipedia.org/wiki/Egypt), [South Africa](https://en.wikipedia.org/wiki/South_Africa), and [Tunisia](https://en.wikipedia.org/wiki/Tunisia), have pursued trade-based development.[[22]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-22)

According to economic historian Robert C. Allen, dependency theory's claims are "debatable" and that the protectionism that was implemented in Latin America as a solution ended up failing.[[23]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-:1-23) The countries incurred too much debt and Latin America went into a recession.[[23]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-:1-23) One of the problems was that the Latin American countries simply had too small national markets to be able to efficiently produce complex industrialized goods, such as automobiles.[[23]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-:1-23)

A large argument opposing the Dependency Theory is the subjectivity in the theory and the terms that are often used. Worlds such as developed and [underdeveloped](https://en.wikipedia.org/wiki/Developing_country) that construct the argument of dependency theory are subjective and different people will view these different terms in different lights.[[24]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-24)

## Examples of Dependency Theory[[edit](https://en.wikipedia.org/w/index.php?title=Dependency_theory&action=edit&section=4)]

Many nations have been affected by both the positive and negative effects of the Dependency Theory. The idea of national dependency on another nation is not a relatively new concept even though the dependency theory itself is rather new. Dependency is perpetuated by using [capitalism](https://en.wikipedia.org/wiki/Capitalism) and finance. The dependent nations come to owe the developed nations so much money and capital that it is not possible to escape the debt, continuing the dependency for the foreseeable future.[[25]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-25)

An example of the dependency theory is that during the years of 1650 to 1900 Britain and other European nations took over or [colonialized](https://en.wikipedia.org/wiki/Colonization) other nations. They used their superior military technology and naval strength at the time to do this. This began an [economic system](https://en.wikipedia.org/wiki/Economic_system) in America, Africa, and Asia to then export the natural materials from their land to Europe. After shipping the materials to Europe, Britain and the other European countries made products with these materials and then sent them back to colonized parts of America, Africa, and Asia. This resulted in the transfer of wealth from these regions’ products to Europe for taking control of the products.[[26]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-26)

Dependency theory is considered rather controversial and many say it is not still in effect. Some scholars and politicians claim that with the decline of colonialism, dependency has been erased. [[27]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-27) Other scholars counter this approach, and state that our society still has national powerhouses such as the United States, European Nations such as Germany and Britain, China, and rising India that hundreds of other nations rely on for military aid, economic investments, etc. [[28]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-28) An example of this is the Land of [Israel](https://en.wikipedia.org/wiki/Israel) that in years 1946-2017 the United States has assisted in 228.7 billion dollars towards their [Department of Defense](https://en.wikipedia.org/wiki/Department_of_Defense).[[29]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-29) The continuous funding for Israel and other nations is not pure generosity, it is pure strategy from the nations that have the funds to indebt developing nations for control and colonization. This strategy is what develops weaker nations into dependent and peripheral nations with little to no chance for growth or improvement.

## Aid dependency[[edit](https://en.wikipedia.org/w/index.php?title=Dependency_theory&action=edit&section=5)]

Aid dependency is an economic problem described as the reliance of [less developed countries](https://en.wikipedia.org/wiki/Developing_country) (LDCs) on [more developed countries](https://en.wikipedia.org/wiki/Developed_country) (MDCs) for financial aid and other resources. More specifically, aid dependency refers to the proportion of government spending that is given by [foreign donors](https://en.wikipedia.org/wiki/Foreign_aid).[[30]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-30) Having an aid dependency ratio of about 15%-20% or higher will have negative effects on the country.[[31]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-31) What causes dependency is the inhibition of development and economic/political reform that results from trying to use aid as a long-term solution to poverty-ridden countries. Aid dependency arose from long term provisions of aid to countries in need in which the receiving country became accustomed to and developed a dependency syndrome.[[32]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-32) Aid dependency is most common today in [Africa](https://en.wikipedia.org/wiki/Africa). The top donors as of 2013 were the [United States](https://en.wikipedia.org/wiki/United_States), the [United Kingdom](https://en.wikipedia.org/wiki/United_Kingdom), and [Germany](https://en.wikipedia.org/wiki/Germany) while the top receivers were [Afghanistan](https://en.wikipedia.org/wiki/Afghanistan), [Vietnam](https://en.wikipedia.org/wiki/Vietnam), and [Ethiopia](https://en.wikipedia.org/wiki/Ethiopia).

### History of aid dependence[[edit](https://en.wikipedia.org/w/index.php?title=Dependency_theory&action=edit&section=6)]

International development aid became widely popularized post World-War Two due to first-world countries trying to create a more open economy as well as [cold war](https://en.wikipedia.org/wiki/Cold_War) competition.[[33]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-33) In 1970, the [United Nations](https://en.wikipedia.org/wiki/United_Nations) agreed on 0.7% of [Gross National Income](https://en.wikipedia.org/wiki/Gross_national_income) per country as the target for how much should be dedicated for international aid.[[34]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-34) In his book “Ending Aid Dependence”, [Yash Tondon](https://en.wikipedia.org/wiki/Yash_Tandon) describes how organizations like the [International Monetary Fund](https://en.wikipedia.org/wiki/International_Monetary_Fund) (IMF) and the [World Bank](https://en.wikipedia.org/wiki/World_Bank) (WB) have driven many African countries into dependency. During the economic crisis in the 1980s and the 1990s, a great deal of Sub-Saharan countries in Africa saw an influx of aid money which in turn resulted in dependency over the next few decades. These countries became so dependent that the President of [Tanzania](https://en.wikipedia.org/wiki/Tanzania), [Benjamin W. Mkapa](https://en.wikipedia.org/wiki/Benjamin_Mkapa), stated that “Development aid has taken deep root to the [psyche](https://en.wikipedia.org/wiki/Psyche) of the people, especially in the poorer countries of the South. It is similar to drug addiction.”

### Motives for giving aid[[edit](https://en.wikipedia.org/w/index.php?title=Dependency_theory&action=edit&section=7)]

While the widespread belief is that aid is motivated only by assisting poor countries, and this is true in some cases, there is substantial evidence that suggests strategic, political, and welfare interests of the donors are driving forces behind aid. Maizels and Nissanke (MN 1984), and McKinlay and Little (ML, 1977) have conducted studies to analyze donors’ motives. From these studies they found that US aid flows are influenced by military as well as strategic factors. British and French aid is given to countries that were former [colonies](https://en.wikipedia.org/wiki/Colony), and also to countries in which they have significant investment interest and strong trade relations.[[35]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-35)

### Stunted economic growth[[edit](https://en.wikipedia.org/w/index.php?title=Dependency_theory&action=edit&section=8)]

A main concern revolving around the issue of foreign aid is that the citizens in the country that is benefiting from aid lose motivation to work after receiving aid. In addition, some citizens will deliberately work less, resulting in a lower income, which in turn qualifies them for aid provision.[[36]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-36) Aid dependent countries are associated with having a lowly motivated workforce, a result from being accustomed to constant aid, and therefore the country is less likely to make economic progress and the living-standards are less likely to be improved. A country with long-term aid dependency remains unable to be self-sufficient and is less likely to make meaningful GDP growth which would allow for them to rely less on aid from richer countries. Food aid has been criticized heavily along with other aid imports due to its damage to the domestic economy. A higher dependency on aid imports results in a decline in the domestic demand for those products. In the long-run, the agricultural industry in LDC countries grows weaker due to long-term declines in demand as a result from food aid. In the future when aid is decreased, many LDC countries's agricultural markets are under-developed and therefore it is cheaper to import agricultural products.[[37]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-37) This occurred in [Haiti](https://en.wikipedia.org/wiki/Haiti), where 80% of their grain stocks come from the United States even after a large decrease in aid.[[38]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-38) In countries where there is a primary-product dependency on an item being imported as aid, such as wheat, economic shocks can occur and push the country further into an economic crisis.

### Political dependency[[edit](https://en.wikipedia.org/w/index.php?title=Dependency_theory&action=edit&section=9)]

Political dependency occurs when donors have too much influence in the governance of the receiving country. Many donors maintain a strong say in the government due to the country’s reliance on their money, causing a decrease in the effectiveness and democratic-quality of the government.[[39]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-39) This results in the receiving country’s government making policy that the donor agrees with and supports rather than what the people of the country desire. Government corruptibility increases as a result and inhibits reform of the government and political process in the country.[[40]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-CMI-40) These donors can include other countries or organizations with underlying intentions that may not be in favor of the people. Political dependency is an even stronger negative effect of aid dependency in countries where many of the problems stem from already corrupt politics and a lack of civil rights.[[41]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-Moss102139-41) For example, [Zimbabwe](https://en.wikipedia.org/wiki/Zimbabwe) and the [Democratic Republic of the Congo](https://en.wikipedia.org/wiki/Democratic_Republic_of_the_Congo) both have extremely high aid dependency ratios and have experienced political turmoil. The [politics of the Democratic Republic of the Congo](https://en.wikipedia.org/wiki/Politics_of_the_Democratic_Republic_of_the_Congo) have involved civil war and changing of regimes in the 21st century and have one of the highest aid dependency ratios in Africa.

As aid dependence can shift accountability away from the public and to being between state and donors, “presidentialism” can arise. Presidentialism is when the president and the cabinet within a political system have the power in political decision-making. In a [democracy](https://en.wikipedia.org/wiki/Democracy), budgets and public investment plans are to be approved by parliament. It is common for donors to fund projects outside of this budget and therefore go without parliament review. [[41]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-Moss102139-41)This further reinforces presidentialism and establishes practices that undermine democracy. Disputes over taxation and use of revenues are important in a democracy and can lead to better lives for citizens, but this cannot happen if citizens and parliaments don’t know the complete proposed budget and spending priorities.

Aid dependency also compromises ownership which is marked by the ability of a government to implement its own ideas and policies. In aid dependent countries, the interests and ideas of aid agencies start to become priority and therefore erode ownership.

### Corruption[[edit](https://en.wikipedia.org/w/index.php?title=Dependency_theory&action=edit&section=10)]

Aid dependent countries rank worse in terms of level of [corruption](https://en.wikipedia.org/wiki/Corruption) than in countries that are not dependent. Foreign aid is a potential source of rents, and rent seeking can manifest as increased public sector employment. As public firms displace private investment, there is less pressure on the government to remain accountable and transparent as a result of the weakened private sector. Aid assists corruption which then fosters more corruption and creates a cycle. Foreign aid provides corrupt governments with free cash flow which further facilitates the corruption. Corruption works against economic growth and development, holding these poor countries down.[[42]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-42)

### Efforts to end aid dependence[[edit](https://en.wikipedia.org/w/index.php?title=Dependency_theory&action=edit&section=11)]

Since 2000, aid dependency has decreased by about ⅓.[[43]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-Wijntjes101163-43) This can be seen in countries like [Ghana](https://en.wikipedia.org/wiki/Ghana), whose aid dependency decreased from 47% to 27%, as well as in [Mozambique](https://en.wikipedia.org/wiki/Mozambique), where the aid dependency decreased from 74% to 58%.[[43]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-Wijntjes101163-43) Target areas to decrease aid dependence include job creation, regional integration, and commercial engagement and trade.[[44]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-44) Long-term investment in agriculture and infrastructure are key requirements to end aid dependency as it will allow the country to slowly decrease the amount of food aid received and begin to develop its own agricultural economy and solve the [food insecurity](https://en.wikipedia.org/wiki/Food_security) problem.

### Countering political corruption[[edit](https://en.wikipedia.org/w/index.php?title=Dependency_theory&action=edit&section=12)]

Political corruption has been a strong force associated with maintaining dependency and being unable to see economic growth. During the Obama administration, congress claimed that the anti-corruption criteria The [Millennium Challenge Corporation](https://en.wikipedia.org/wiki/Millennium_Challenge_Corporation) (MCC) used was not strict enough and was one of the obstacles to decreasing aid dependence.[[45]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-45) Often, in countries with a high [corruption perception index](https://en.wikipedia.org/wiki/Corruption_Perceptions_Index) the aid money is taken from government officials in the public sector or taken from other corrupt individuals in the private sector. Efforts to disapprove aid to countries where corruption is very prevalent have been a common tool used by organizations and governments to ensure funding is used properly but also to encourage other countries to fix the corruption.

### Other methods of aid[[edit](https://en.wikipedia.org/w/index.php?title=Dependency_theory&action=edit&section=13)]

It has been proven that foreign aid can prove useful in the long-run when directed towards the appropriate sector and managed accordingly. Specific pairing between organizations and donors with similar goals has produced more success in decreasing dependency than the tradition form of international aid which involves government to government communication. Botswana is a successful example of this. Botswana first began receiving aid in 1966.[[40]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-CMI-40) In this case, Botswana decided which areas needed aid and found donors accordingly rather than simply accepting aid from other countries whose governments had a say in where the money would be distributed towards. Recipient-led cases such as [Botswana](https://en.wikipedia.org/wiki/Botswana) are more effective partially because it negates the donor’s desirability to report numbers on the efficiency of their programs (that often include short-term figures such as food distributed) and instead focuses more on long-term growth and development that may be directed more towards infrastructure, education, and job development.[[41]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-Moss102139-41)

### Aid dependency in Africa[[edit](https://en.wikipedia.org/w/index.php?title=Dependency_theory&action=edit&section=14)]

[Africa](https://en.wikipedia.org/wiki/Africa) is far more aid dependent than other regions which makes it the most important to look at when examining the impact of aid. Over $1 trillion in aid has been given to Africa from rich countries in the past fifty years. A study by the World Bank cited that up to 85% of aid flows were used in ways other than the original intention.[[46]](https://en.wikipedia.org/wiki/Dependency_theory#cite_note-46) In the most aid-dependent countries there has been a growth rate of negative 0.2%, and poverty rates in Africa increased from 11% to 66% when aid flows were at their peak. There are certainly other factors at play when assessing the corruption and poverty rampant in Africa, but with all of the information available about the damaging effects of aid dependency, Africa becomes a prime example of them.