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BOOK REVIEW:

Dependency Theory After Fifty Years:
The Continuing Relevance of Latin
American Critical Thought, by Claudio
Katz, Chicago: Haymarket Books, 2022.

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JEL CLASSIFICATION: Y30

DEPENDENCY THEORY: THE FUNDAMENTALS

This book by the prominent Argentinian economist Claudio Katz explores the contemporary relevance of dependency theory: to what extent does it explain today's world? Like Marxist theory in general, dependency theory faced marginalisation and obscurity in the 1990s and early 2000s following the perceived triumph of neoliberalism after the collapse of the socialist system. It was dismissed as outdated and replaced by fervent neoliberal optimism. However, subsequent global events, including Western military interventions, the Arab Spring, the 2007–08 financial crisis, and rising inequality in developed countries, challenged the universal applicability of neoliberalism as an explanatory framework. Additionally, global capitalism's failure to address impending ecological crises, the emergence of illiberal regimes, the Russian invasion of Ukraine in 2022, and increasing geopolitical fragmentation have further undermined confidence in neoliberalism's efficacy.

Although the author focuses mostly on dependency theory explanations developed in the 1970s (hence the name, *Dependency Theory After 50 Years*), his analysis goes back to the Marxist roots of dependency theory (before it became known by this name) and covers the views of Marx, Lenin, Rosa Luxemburg, and Trotsky.

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Dependency theory, as outlined by key theorists such as Samir Amin, Mauro Marini, Dos Santos, Ernest Mandel, Immanuel Wallerstein, and others, asserts that underdevelopment is inherent to dependent capitalism. According to this view, the global capitalist system perpetuates dependency between developed core nations and underdeveloped periphery nations. This perspective challenges the idea of convergence theory, arguing that global capitalism sustains unequal relations between countries as essential for its operation.

The book's approach is as follows: it disassembles dependency theory into its key concepts, analyses them from today's perspective, and then assembles them into an updated version of the theory in the last chapter.

IMPLICATIONS FOR DEVELOPMENT AND THE ROLE OF THE UN

Katz argues that traditional approaches to combating underdevelopment, such as simple corrective policies or increased investment, are inadequate. Dependency theorists challenge the idea of states as independent drivers of growth and critique the UN's concept of underdevelopment from the 1950s–60s. This concept blamed underdevelopment on deterioration in the terms of trade and economic structural issues. It became a blueprint for UN intervention, promoting import-substitution industrialisation and public investment, but also reinforcing national bourgeoisie interests.

Dependency theory, following Prebisch and Singer, acknowledges unequal exchange and deterioration in the terms of trade. Unequal exchange refers to a situation where developing countries export primary commodities at low prices and import manufactured goods at high prices, resulting in an unfavourable balance of trade. The UN's recent focus on the private sector and financial development, seen in the Addis Ababa Action Agenda (UN 2015), perpetuates dependency by integrating developing countries into global capitalist systems through increased credit finance. In most cases, the expansion of credit finance in developing countries results in greater financial dependency: the increased domination of foreign capital, growing indebtedness of businesses and individuals, capital flight, and outflows of capital (and hence surplus value) to the developed countries. Katz rightly points out that accumulation in developing countries required for breaking out of the cycle of dependency and underdevelopment is impeded by external factors, such as imperialism, not by lack of capital. Although few recent developments demonstrate the continuing relevance of dependency theory better than the financialisation of modern capitalism, this issue is not, unfortunately, covered in Katz's book.

INTERNATIONAL SURPLUS VALUE TRANSFERS

Katz reconfirms the relevance of some key principles of dependency theory, such as surplus value transfers. This is the specific economic mechanism through which the relationship of dependency is produced and reproduced between the periphery and the centre. This drainage is carried out through the prices prevailing in the world market. The concentration of activities that require complex labour, developed technologies, and significant investment in advanced economies determines that the prices of their production are higher than their value. For example, they exchange one day's work for three from another country, while the inverse occurs with underdeveloped economies.

GEOPOLITICAL-MILITARY RELATIONS OF DEPENDENCY

The book then explores concepts from the 1970s and 1980s: sub-imperialism, super-exploitation, dependency status classification, dependent cycle, and rent. Katz notes shifts in sub-imperial forms post-Cold War, moving from ideological to economic competition. He defines "sub-empire" in a geopolitical-military sense, including countries with strong militaries and regional ambitions aligned with the US, such as Turkey and Saudi Arabia, but excluding those with powerful economies and small armies, such as South Korea or Japan. The major criterion for Katz is the alignment with, and commitment to, the dominant imperialist power, i.e. the US. Hence, Iran is not a sub-imperial power whereas Turkey and Saudi Arabia are.

Katz adds two categories for clarity: "co-imperial appendages" such as Israel, Canada, and Australia, which directly extend the centres, and "empire in formation" including Russia and China. Russia's opposition to the US does not make it anti-imperialist, as it is governed by capitalists prioritising their own welfare. Katz sees the Ukraine conflict as inter-imperialist rivalry, not an anti-imperialist struggle. He cites Russian Marxist Boris Kagarlitsky (Dolcerocca & Terzioglu, 2015), who describes how the Russian capitalist regime blocked the autonomous and radical action of the rebel movement in East Ukraine. While subsequent developments saw Russia providing significant support to the rebel movement, this support hollowed out its liberating potential (in terms of labour liberation) and transformed it into a movement serving the interests of big Russian capital. Nonetheless, Russia and China, due to their tensions with the US, are not considered sub-empires, unlike Turkey and India.

ECONOMIC RELATIONS OF DEPENDENCY

Katz expands on the economic dimension of dependency, retaining the centre, periphery, and semi-periphery classifications while introducing new ones: advanced and new centres, as well as rising and declining semi-peripheries.

Advanced centres such as the US and Japan maintain their status due to their leading role in global production, while new centres such as China rise in prominence through increased participation in global production. Semi-peripheries such as South Korea advance by specialising further, while declining semi-peripheries such as Brazil regress industrially.

Katz revisits Marini's concept of super-exploitation, where periphery ruling classes compensate for their position by underpaying labour. Katz suggests replacing this notion with a focus on low labour remuneration across all countries and prioritising explanations of dependency through international surplus value transfers. He argues that the level of labour valuation depends on internal development and global market integration, with surplus value flow direction determining a nation's status. Katz also considers two facets of exploitation: labour appropriation magnitude is higher in productive centre economies, while the burden on wage workers is greater in underdeveloped countries.

Financial dependency and exploitation are not covered in the book. But the centre clearly keeps the semi-periphery and periphery on a short financial leash. An IMF analysis (2023) suggests that banks' funding costs in low capital ratio economies (that is, periphery countries) jump by 55 basis points as the "geopolitical distance" with foreign lenders increases by one standard deviation. Geopolitical distance in this context is a euphemism to denote how much a country's voting behaviour in the UN General Assembly differs from the voting of the collective West. Behave yourself or else...

IMPERIALIST RENT TRANSFERS

Katz highlights imperialist rent transfers alongside surplus value transfers to elucidate dependency, which forms international value transfers that perpetuate the periphery's subordination to the centre. Imperialist rent challenges the neoliberal notion of "rentier states" in the periphery used to justify transnational exploitation while condemning regional corruption. For instance, oil economies suffer deficits, capital flight, and debt due to profit repatriation and patent payments, deepening dependency imbalances.

Social struggles determine whether ruling classes or the populace capture rents, with states influencing appropriation. States play a role in how the resources are appropriated and whether the rent is retained, drained, or absorbed. But, as the example of Argentina in the late 19th century illustrates, even if the international rent was absorbed, it benefitted domestic large landowners as their rents went up and foreign firms as rents flowed back into the English storage plants, banks, and railroads.

DEVELOPMENT

The book examines three dimensions of (under)development: global stratification (centre, semi-periphery, or periphery); internal development level (advanced, intermediate, or backward economies); and political independence (empires, appendages, semi-/sub-empires, semi-colonies, colonies). It concludes by stating that capitalism is a stratified system hindering collective welfare, where the development of some economies comes at the expense of others due to unequal accumulation dynamics.

Beyond the current dependent world order, alternatives are rarely discussed, but ongoing geopolitical separation prompts research on possible alternate arrangements, such as trade restrictions and technological decoupling. Recent IMF research (Hakobyan et al., 2023) suggests these changes will have varying impacts, with Latin America and the Caribbean forecasted to benefit, unlike the majority of peripheral countries. Why? Because these countries are expected to retain a higher share of international transfers due to their improved bargaining position. The improved bargaining position of Latin America and the Caribbean stems from their rich natural resources and strategic importance in global supply chains. Additionally, the region's increasing economic integration and diversification of trade partnerships enhance its leverage in international negotiations, allowing for better terms and higher retention of financial inflows.

As the world reconfigures, it may produce other surprising developments. States of the semi-periphery and periphery are not entirely powerless but severely limited by their position of subordination to the interest of the capitalist centre. In this respect, Katz's book provides a systematic, informed, and evidence-based critique of this situation from a dependency theory perspective.

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