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DEPENDENCY *REDIVIVUS*: THE RELEVANCE OF  
DEPENDENCY THEORY IN UNDERSTANDING  
CONTEMPORARY CAPITALISM AND THE CRISIS IN EUROPE

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DEPENDENCY *REDIVIVUS*: THE RELEVANCE OF DEPENDENCY THEORY  
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Approval of the Graduate School of Social Sciences

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## **ABSTRACT**

### **DEPENDENCY *REDIVIVUS*: THE RELEVANCE OF DEPENDENCY THEORY IN UNDERSTANDING CONTEMPORARY CAPITALISM AND THE CRISIS IN EUROPE**

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Following the 2008 Economic Crisis, it has become apparent that some countries, while they had been applauded to be developing for decades, were far from becoming part of the developed core of the capitalist world economy. While it was shelved during for the most of last thirty year, Dependency Theory proposes a good explanation for the situation of these countries. In this thesis, it was argued that contemporary capitalism and the post-2008 situation in Europe can be explained with Dependency Theory and the development certain late industrializers have shown can be identified as dependent development. Following a revisiting of the original works within the scope of dependency analysis, theories on capitalist expansion and how it generates inequality are presented. The role of the state is briefly discussed before going into the cases of Eastern Europe and Greece.

Keywords: Dependency Theory, Dependent Development, Economic Crisis, 2008 Economic Crisis, Political Economy

## ÖZ

### BAĞIMLILIĞIN YENİDEN DOĞUŞU: BAĞIMLILIK TEORİSİ’NİN ÇAĞDAŞ KAPİTALİZMLE İLİŞKİSİ VE AVRUPA KRİZİ

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2008 Ekonomik Krizi’nin ardından, on yıllar boyunca gelişmekte oldukları gerekçesiyle kutlanan bazı ülkelerin, kapitalist dünya ekonomisinin gelişmiş merkezine katılmaya hala çok uzak oldukları ortaya çıktı. Bağımlılık Teorisi, her ne kadar son otuz yılın büyük bir kısmında rafa kaldırılmış olsa da, bu ülkelerin içinde bulundukları duruma dair uygun bir açıklama sunmaktadır. Bu tezde, günümüz kapitalizmi ve özellikle Avrupa’nın 2008 sonrası durumunun Bağımlılık Teorisi’yle açıklanabileceği, ve geç endüstriyelleyen ülkelerin gösterdiği gelişmenin bağımlı kalkınma olarak tanımlanabileceği savunulmuştur. Bağımlılık üzerine yapılmış özgün çalışmaların değerlendirilmesinin ardından, kapitalist yayılma ve nasıl eşitsizlik ürettiği üzerine teoriler sunulmuştur. Doğu Avrupa ve Yunanistan’ın durumlarından önce, devletin rolü kısaca tartışılmıştır.

Anahtar Kelimeler: Bağımlılık Teorisi, Bağımlı Kalkınma, Ekonomik Kriz, 2008 Ekonomik Krizi, Siyasal İktisat

To My Family

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## **LIST OF ABBREVIATIONS**

BRICS	Brazil, Russia, India, China and South Africa
DFLs	Decrees Having the Force of Law
ECIPE	European Centre for International Political Economy
ECLA	Economic Commission for Latin America
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
G20	Group of Twenty Major Economies
HCBEA	Higher Coordination Board of Economic Affairs
IMF	International Monetary Fund
ISI	Import Substituting Industrialization
OECD	Organization for Economic Co-operation and Development
PASOK	Panhellenic Socialist Movement
UNCTAD	United Nations Conference on Trade and Development Organization

## CHAPTER 1

### INTRODUCTION

“The future (...) is more uncertain than ever,” Samir Amin states in 2009, written even before the dust settled after the 2008 crisis and we opened our eyes to a world that looked quite different than it had before. While it did create an environment for an era of chaos whose outcome is hard to predict –as it is a *crisis* after all; the 2008 has also ventilated the dust, of the fairy kind, and left the state of the world economy, for those who are willing to see, more naked than it has for long while.

Dubbed “The Great Recession”, so called to indicate that its effects have been comparable to that of the Great Depression of the 1929, the 2008 Economic Crisis has been unanimously regarded as one of the most severe downturns in the history of capitalism. It came after almost three decades of neoliberal integration, through which the developed world enjoyed a somewhat steady growth and stability. This has fed into a false sense of security that made the policy makers confident in the new system and its effects and blinded them to the coming of the crisis. Those who had foreseen it could not guess the extent and the depth of its effects.

Wim Naudé states that the crisis had erased US \$25 trillion from the value of the stock markets by October 2008 (2009). In 2010 James Copestake tells the initial effects of and the initial response to the crisis as follows:

The massive reduction in global liquidity (Barker, 2008) that followed the Lehman Brothers collapse on 15 September 2008 had turned the likelihood of a US recession into the imminent threat of a global depression. This mobilised an unprecedented and coordinated global

response in the form of bank rescues, nationalisation and fiscal expansion, puncturing any residual illusion of global financial markets as a self-regulating system (Krugman, 2006). Overall contraction of the world economy in 2009 also indicated that global growth had not been as fully decoupled from its US engine as previously hoped.<sup>1</sup>

The crunch in the financial sector quickly spread to the real sector, pushing the economy into an era of turmoil with high unemployment, low growth, long-term poverty and increased inequalities. The neoliberal system had always been growing on inequalities “with the very top earners capturing a large fraction of macroeconomic productivity gains,” as Emmanuel Saez asserts and this trend did not change and arguably intensified following the crisis. Saez, inspecting the data for the US, states that from 2007 to 2009 the average real income per family declined by 17.4% and while since then, and especially between 2011 and 2012, the figure has increased by 6.0%, “the gains were very uneven” as “[t]op 1% incomes grew by 31.4% while bottom 99% incomes grew only by 0.4% from 2009 to 2012. Hence the 1% captured 95% of the income gains in the first three years of the recovery [and] (...) are close to full recovery while bottom 99% incomes have hardly started to recover,” (2013: 1). Saez concludes that “the Great Recession has only depressed top income shares temporarily and will not undo any of the dramatic increase in top income shares that has taken place since the 1970s. Indeed, the top decile income share in 2012 is equal to 50.4%, the highest ever since 1917,” (2013: 2).

It is the objective of this thesis to show that there are certain things advocates of neoliberalism cannot explain and cannot save us from – primarily itself. They have never foreseen the crisis coming from within their theoretical framework and hence they were not prepared to deal with it. This thesis puts forward the Dependency Theory and the concept of semi-periphery as a better way of explaining the situation the world economy, and the European Union in particular. This is further exposed

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<sup>1</sup>Copestake, 2010: 699-700

following the 2008 crisis. It is argued that the countries which have been classified as developing in the post war era of capitalist accumulation were in reality increasingly becoming dependent on the already developed ones. While the policies implemented following the recent crisis proved to be a part of the problem rather than providing a solution, the decision-makers of the West are still convinced their own institutions and their own neoliberal policies are the only ones that will bring about not only a solution to the crisis but further enhance the development of their economies.

While it has certainly taken its toll on the entire globalized world economy and more so on people with lower incomes as is the norm with crises, 2008 was different than the crises of the previous decade in one very crucial way: it had originated from a part of the world that is classified as being developed. Furthermore, it affected the developed part of the world more severely than it did those that were still in the process of developing or those that were simply defined as underdeveloped: while it spread through the world, the epicentre of the crisis remained to be the United States and the European Union. This is a crucial point since the successive crises that had rocked the developing countries of the world in the 1990s –such as the 1994 crises of Mexico and Turkey or the financial crisis the Asian Tigers found themselves in 1997- were mostly attributed to them being just that, “developing”, not yet “developed” and not yet at a required level of freedom in their trade, in their capital account, in the assignment of the value of their currency in regards to other currencies and their institutions not yet being structured in an appropriate way or alternatively, not functioning effectively. In short, they were not “capitalist enough” and if they were to follow the prescriptions presented by international institutions such as the International Monetary Fund or the World Bank, they were sure to catch up with the developed countries.

Since the 2008 was a crisis of the developed, and not the developing, this illusion has shattered. Or rather, it should have. As Robert Wade states, the two major shifts “in international economic norms and rules (...) were separated by roughly



thirty years” (2008: 5) and both came following all-consuming crises such as this one, Keynesianism after the Great Depression of the 1929 and neoliberalism following the crash of the Bretton-Woods System after the Oil Crisis of the late 1970s.

As Arno Tausch and Almas Heshmati state “[t]he current economic and social crisis is a temptation for social scientists to reconsider well-established assumptions about the discipline” (2011: 89) and there have been several studies on the need for a change at the global scale and several that were written during the crisis that predicted there will be a change; whereas in practice this is yet to be realized. What we have seen in the following years of the initial crisis have been, especially in the West of the world-economy, policy-makers holding tightly to their neoliberal agendas, burdening the cost of the economic downturn onto the crowds of the people as they tried to save the big companies and banks which has caused protests and upheavals as a result. Several years after the crisis, the pre-crisis growth paths have still not been restored as they had been intended to and yet there appears to be no meaningful shift in the policies that are being applied, either. Tausch observes that even when the European Commission Work Programme of 2011 “started by saying ‘business as usual is not an option’, it ended up by repeating exactly this, i.e. ‘business as usual’, repeating the credo of open societies and open markets, with the unchanged EU policy priority of reducing barriers to international flows of trade and investment,” (2010: 467-468). Most literature on the plans of the BRICS (Brazil, Russia, India, China and South Korea) and their plans that essentially aim to create their own economic globe have been marked to be futile by the institutions and the scholars of the West, as well. Razeen Sally, director of ECIPE, writes that even if the crisis had created a convergence between the developed countries and the emerging markets (since the emerging markets have managed to pass through the crisis relatively unscathed compared to the developed ones) in the short-term, these countries’ “political and economic institutions, and intra-regional divisions, continue to hold back their rise,” (2011: 28) and “the economic shift to emerging markets, accelerated by the crisis, does not translate into a paradigmatic shift in global political-economic order,” (2011: 29).

Ngairé Woods argues that the International Monetary Fund has been thrust into the centre-stage of the world economic scene by the G20 Summit and examines whether the recent reforms it went through have actually transformed into real shifts in its governance. Even though the formation of the G20 should have meant the inclusion of more countries and a new multilateral governance, Woods finds that the reforms IMF went through have not yet satisfied the emerging economies:

Not achieved is a transformation in relations with the major emerging economies such that the IMF would be positioned to address the global imbalances, to set new multilateral rules, to operate as an alternative to self-insurance or indeed to provide a more multilateral response to the development emergency. There is very little (beyond rhetoric) of a multilateral response to poorer countries affected by the crisis. The IMF's lending to date has mainly been focused on middle-income countries facing financial crisis. The World Bank has called for, but not received, more resources. It is also hindered both by its own procedures and rules and by the unwillingness of powerful, wealthy members to take risks or to permit the Bank to take risks. The result is that different regions of developing countries, led to some degree by their emerging economy neighbours, are finding regional solutions.<sup>2</sup>

As the post-2008 world struggles to find its balance amongst the previous top-players and how much and whether if others will be allowed to have a say in how things run from here on; the situation also revealed a need for a re-evaluation of which parts of the world are developed in the first place and whether we can keep on classifying others as “developing” as if they are in a process that will lead them to a higher standard. The circumstance that the European Union found itself is one example of how this conceptualization has become questionable.

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<sup>2</sup>Woods, 2010: 59-60

In an increasingly globalised world, we all are affected by the decisions made through negotiations of different agents in countries at the other side of the world, and as has been revealed we do not have as much of a say in it as we had been promised, even following the crisis which has been argued to have caused a shift in the power dynamics, and the carrots we've been chasing to become as "developed" have turned out to be imaginary.

The scholars of *ye olde school of dependencia* who put forward their analysis as the most plausible way to explain the situation of the Latin American countries, would no doubt feel justified in the wake of the current state of affairs in contemporary capitalism, notwithstanding the controversies and debates of the old days.

## **1.1. RESEARCH DESIGN AND METHODOLOGY**

In line with its aim, this thesis questions how dependent development happens in the capitalist world system and how the Dependency Theory and the concept of semi-periphery relevant in explaining the 2008 Crisis and beyond. To this end it is divided into five chapters.

Chapter 2 will be a revisiting of the relevant concepts, recounting underdevelopment briefly before moving onto detailing the history of the Dependency Theory. Its origins within Marx's and later Classical Writers (such as Lenin's) writings will be presented with a special focus on imperialism. It will be followed by the arguments of the Dependency Theory, which has originated on studies regarding the experiences of the Latin American countries . Wallerstein's World System Analysis and its contributions will then be addressed. Finally, an explanation of the concept of semi-periphery will be introduced.

Chapter 3 on Theories of Capitalist Expansion and Capital Accumulation will discuss why and how the capitalist expansion happens and how it relates to and creates dependency. David Harvey's concepts of structured coherence and spatio-temporal fixes will be presented. The articulation of modes of production debate will be put forward as another theory as well as the regimes of accumulation with a special focus on peripheral Fordism.

The fourth chapter titled "The Relevance of Dependency Theory in Understanding Contemporary Capitalism and the Crisis in Europe" will then utilize the previously presented theories to conceptualize how a country loses autonomous power and why some countries do lose it while others don't, using the Latin America versus the East Asian debates of the 1990s and also point out the case of China and its distinguished position as a country that kept its autonomous power even though it was a late incorporation to the capitalist world system. The chapter will illustrate how the Dependency Theory is worthy of revival by presenting the case of Europe in our day, showcasing the dependency the European integration creates. A descriptive method will be employed in narrating the relations the post-socialist Eastern Europe countries have with the Western Europe and the situation of Greece even after decades as part of the European Union. The power of the Dependency Theory will be further argued by showcasing that its ability to explain the circumstances of the world economic system is better than neoliberalism and that its perspective must be taken into consideration especially now as we navigate within the unpredictable crisis.

A concluding chapter will then wrap up the discussion with a brief summary of the discussion and provide some suggestions for further research regarding the positions of countries during the crisis. The position of Turkey as another dependent market economy will be put forward as a possible case for further research.

## **CHAPTER 2**

### **DEPENDENCY, UNDERDEVELOPMENT AND THE CONCEPT OF SEMI-PERIPHERY: REVISITED**

Gabriel Palma states, very rightfully so, that “[t]he complex roots of the dependency analyses and the variety of intellectual traditions on which they draw make any attempt at a comprehensive study very difficult” (1978: 882). The field has seen several movements, have had contributions from quite a many of scholars with different views from its emergence in the 1950s as an alternative to the Modernization Theory until the late 1970s.

In this chapter the literature on the dependency school will be reviewed. A broad historical progress of the analysis will be presented; the Marxist roots of the movement and the developments the Latin American studies have contributed will be recounted. Reference will be made to the concept of imperialism as it relates to the broader theory of the capitalist relations. A discussion on underdevelopment, which lives in the universe of the developmental analysis with the dependency approach, will be presented in addition to a discussion of the uneven development. The World System Analysis will be addressed and the concept of semi-periphery will be discussed.

#### **2.1. UNDERDEVELOPMENT**

Literature on development and underdevelopment is massive and ridden with complexities amongst varying theories. The situation of the underdeveloped regions and which policies they needed to implement to become fully developed has long

been a topic of discussion. Especially following the end of the World War II and the dissociation of the colonial empires, the emerging nations became a point of interest for the developed ones. J. Samuel Valenzuela and Arturo Valenzuela argue that of those who were most interested in the fate of the new nations, the U.S. policymakers were “concerned with the claim that Marxism presented the best and most logical road to full incorporation into the modern world” and hence inspired the U.S. scholars “in the pursuit of knowledge, as well as the desire to influence government policy, began to produce a vast literature on the ‘developing’ countries” (1978: 535) many of whom advised something akin to a Marshall Plan.

In a preface for a chapter on Walt Whitman Rostow’s “The Five Stages of Growth” –which had been originally printed in 1960- Mitchell A. Seligson and John T. Passé-Smith remark that “[e]arly research on economic underdevelopment suggested that the problem was only short-term and that in the end all countries would become rich” (2008: 173). Rostow’s thesis, in which he lists the five stages as “the traditional society, the preconditions for take-off, the take-off, the drive to maturity and the age of high mass-consumption”- ultimately shares the viewpoint that underdevelopment is merely a temporary stage a nation needs to pass through before becoming developed.

Valenzuela and Valenzuela argue that the primary question that the U.S. scholars’ primary answer to the question “Why was there such a stark contrast in the developmental experiences of a few Western countries and most of the rest of the world?” was the Modernization Theory (1978: 536). While Rostow’s stages theory did not particularly aim to explain the gap between the underdeveloped and the developed countries, according to Seligson and Passé-Smith, “the author suggests the reason they arise and their potential resolution” and the gap is explained by the “not all countries enter the development process at the same time” (2008: 173), making him one of the contributors of the theory.

The Modernisation Theory sees development as a linear process –it argues that should countries follow in the steps of those who are already developed, they are

sure to get there themselves. In 2005 Sharmila Joshi stated that Modernisation Theory had its inspiration from biology: just like biological sciences studying the growth and development of different species, the Theory transmitted the idea into the social sciences and inferred that:

societies, political institutions, economies were deemed to be growing organisms progressing according to an order *natural* to them. That is, the development of elements of social life was naturalised: made to appear as if development (as opposed to constant change) is directional, following a path of ever-near perfection.<sup>3</sup>

By definition, Modernisation has a singular approach to development in the form of economic development. “The basic building blocks of the modernization perspective are parallel tradition-modernity ideal types of social organization and value systems, distinctions borrowed from nineteenth-century sociology,”<sup>4</sup> according to Valenzuela and Valenzuela (1978: 537). The theory views the societies that have not created capitalism on its own as “stagnant and unchanging, not innovative, not profit-making, not progressing, not growing” and focuses on overcoming these dysfunctions in the policies it advises (Joshi, 2005). In order to become part of the “modern” world “underdeveloped societies have to overcome traditional norms and structures opening the way for social, economic, and political transformations” (Valenzuela & Valenzuela, 1978: 538).

According to Joshi, in the late 1950s, with it as a “foundation stone of (...) evolutionary prescription for development” the newly decolonised countries found themselves in a race to catch up with the West –that is the developed countries- in the levels of industrialisation and the standards for their institutions. This is a prescription that was promoted even to our day with the neoliberal policies; if a country was

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<sup>3</sup>Joshi, 2005.

<sup>4</sup>Valenzuela and Valenzuela list Maine, Tonnies, Durkheim, Weber and Redfield as the “antecedents of the modernization literature” (1978: 553).

“underdeveloped” it was simply because it was a few steps behind than the others or it was not implementing the prescribed policies well enough and once they did, they were guaranteed to catch up with the others.

## **2.2. DEPENDENCY THEORY**

The concept of Dependency Theory –generally considered to be born as a reaction to the Modernisation School- has originated from the discussions on the underdevelopment in the Third World countries in the late 1950s. Valenzuela and Valenzuela attain that “Modernization and dependency are two sharply different perspectives seeking to explain the same reality” (1978: 536), so sharply different they are that “[t]he object of inquiry is practically the only thing these two competing ‘visions’ have in common” (1978: 550). In fact, Cristóbal Kay narrates that André Gunder Frank in his 1967 dated “Sociology of Development and Underdevelopment of Sociology” “systematically critiques the main premises of the modernization thesis”, challenges the main contributors on their argument “that the now developed societies were once underdeveloped and that underdevelopment is the original stage of what are supposedly traditional societies”. Frank, one of the most well-known contributors of the dependency school, according to Kay, “turned modernization theory on its head” (Kay, 2005: 1180).

As an alternative to the preceding theories on the case of underdeveloped countries, Dependency Theory argues that underdevelopment happens as a result of the relations formed between different regions within the capitalist system and not because of one place being late to developing capitalist characteristics. As Arjan Vliegthart states in his 2010 dated article “dependency theorists seek to understand the structural reasons for underdevelopment in the world’s economic periphery as well as the hierarchical structure of the world economy” (2010: 245).



Not only was the Dependency Approach a reaction to the Modernisation Theory, it was also a departure from how the Marxists had seen and conceptualized capitalism on a world scale up until then. In his 1990 dated book *Marxist Theories of Imperialism* Anthony Brewer notes that the “classical” Marxists put focus on the progressive role capitalism would play in advancing the forces of production, and it was only after the Second World War when the alternative interpretation –which can be described as “capitalism as a system of exploitation of one area by another, so development in a few places is at the expense of the ‘development of underdevelopment’ in most of the world,” (Brewer, 1990: 16)- flourished.

The scholars whose work is in line with the first approach will be presented in the next two sub-chapters. Dependency Theory and the World System Analysis fall into the second approach and they will be discussed under subchapters 2.2.3. and 2.2.4., respectively.

In 1978 Gabriel Palma wrote that:

Some writers within the dependency school argue that it is misleading to look at dependency as a formal theory, and that no *general* implications for development can be abstracted from its analyses. Some of those who argue that there is such a theory flatly assert that it leads inescapably to the conclusion that development is impossible within the world capitalist system, thus making the development strategies irrelevant, at least within that system. Others, on the other hand, who speak in terms of a theory of dependency, argue that it *can* be operationalized into a practical development strategy for dependent countries.<sup>5</sup>

Hence, it appears that the discussions took place over such a sparse area that it may not be possible to speak of a theory that meets on a common ground. However,

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<sup>5</sup> Palma, 1978: 881.

in his article<sup>6</sup> Vincent Ferraro was able to define dependency theory as an approach that “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” (1996: 59-60). Come 2010 Vliegenthart is able to identify two main pillars that are binding and common to the otherwise vastly diverse analyses within the Dependency Theory Approach. The first of these “is the argument that the world can only be adequately understood in the context of global capitalism” and the second is that dependency “theory departs from the notion that a separation between the economic and political realm is not only ontologically incorrect, but also hinders a thorough understanding of the functioning of today’s world” (Vliegenthart, 2010: 245).

### 2.2.1. MARXIST DEBATE

Gabriel Palma makes clear from the start that telling the history of the Dependency Approach is a challenging task: as he states with his title, the hardships in delving into the field start at its very root, in trying to determine whether it can be regarded as a formally functioning theory or if every situation is so unique that dependency can merely present us with the necessary guidelines to examine them. He claims that the confusion mostly comes from the omission of the Marxist tradition within the dependency approach and states that he particularly aims to put it in its roots to remove such.

It must be underlined, as Vincent Ferraro does, that not all those who later work under the general umbrella of the dependency theory are Marxists. He states that “[t]he Marxist theory of imperialism explains dominant state *expansion* while the dependency theory explains *underdevelopment*. Stated another way, Marxist theories

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<sup>6</sup>The article can also be retrieved from: [http://marriottschool.net/emp/WPW/pdf/class/Class\\_6-The\\_Dependency\\_Perspective.pdf](http://marriottschool.net/emp/WPW/pdf/class/Class_6-The_Dependency_Perspective.pdf), apparently written in July 1996

explain the reasons why imperialism occurs, while dependency theories explain the consequences of imperialism” (2008: 61). However, Palma’s inclusion of the debates within the Marxist School is important as they ground the theory and help explain the historical development of the arguments. It does make sense to speak of imperialism before moving on to consider its consequences.

At the turn of the previous century, imperialism was “the word on everybody’s lips” (Hobson, 1902). *The Dictionary of Human Geography* defines imperialism as “[a]n unequal human and territorial relationship, usually in the form of an empire, based on ideas of superiority and practices of dominance, and involving the extension of authority and control of one state or people over another” (2011). It is noted that while its history is long and it has continued to be even after the official disengagement of the classical imperialist empires, “[t]he term was originally used in the second half of the nineteenth century to describe a state-centered ethos of territorial expansion that involved both aggressive national competition for prestige and a more general rationalization of imperialism as a ‘civilizing mission’” (2011). Anthony Brewer notes that it was Lenin who first called the period “imperialism” and, as he has done so, “many Marxists reserve the term ‘imperialism’ to describe the twentieth century, using other terms for the expansionism of earlier periods” (1990: 7). Gabriel Palma points out that while initially it was “the relations between advanced and backward countries within the capitalist system” that was referred to as imperialism within the Marxist tradition, later “the totality of a particular phase (the monopoly phase<sup>7</sup>) in the development of that system, characterized by a particular form of relationships among the advanced countries, and between them and the backward countries” were also defined as such (1978: 885). However, Anthony Brewer is also quick to note that the meaning of the word shifted from writer to writer,

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<sup>7</sup>“Imperialism is the monopoly stage of capitalism, or, capitalism in that stage of development in which the domination of monopolies and finance capital has taken shape; in which the export of capital has acquired pronounced importance, in which the division of the world by the international trusts has begun, and in which the partition of all the territory of the earth by the greatest capitalist countries has been completed,” (Lenin, 1939: 88-89).

and some have not even used the word all the while still inspecting the various facets of it.

Samir Amin, going in the steps of Lenin's argument, states that imperialism is a contemporary stage of capitalism and should not be confused with expansionism which is its general characteristic. Capitalism has always had an expansionist aspect, but the "content and function" of this aspect went through several stages:

During the mercantilist period of primitive accumulation (from Renaissance to the Industrial Revolution), the American and African periphery played decisive roles in the accumulation of money capital. During classical period of mature premonopoly capitalism (the nineteenth century), the American, Asiatic, and Arab-Ottoman peripheries contributed to the acceleration of industrialization in the center by absorbing its manufactured products (in exchange for agricultural products) and raising the profit rate. However, since the end of last century, the monopolies have given a new dimension the world capitalist system by making possible the export of capital.<sup>8</sup>

According to Gabriel Palma, the key factor in separating the Marxist view of imperialism from non-Marxist commentaries is "its basis in the material conditions of production; while non-Marxist interpretations may be based equally, and at times jointly, on ideological, political, economic, social or cultural factors." (1978: 883).

However, Palma argues that Marxist stance on imperialism is neither economically deterministic, nor does it neglect the importance of the "feedback of human consciousness into the material world" voicing that:

[T]he Marxist analysis and interpretation of imperialism does not deny in any way the superstructural elements that may have been present in the different stages of imperialism, for the elements of the superstructure may

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<sup>8</sup> Amin, 1977: 103-104

and do assume an autonomy of their own, which in turn reacts upon the material base;<sup>9</sup>

According to Palma, while Marx stressed that one must begin with understanding the material conditions of the productive process to understand man, as he defined labor to be the fundamental human activity; he did not mean to denounce man to be simply a product of those material conditions.

Imperialism, according to Samir Amin is the highest form of capitalism and it aggravates uneven development between the center and the periphery. Capital recognizes only one rule, Amin states: “the search for a maximum rate of surplus value, disguised by its immediate form –the pursuit of a maximum rate of profit” (1977: 105) and when faced with a decreasing turn on their profits, capitalists will, amongst other things, seek to expand their economies to new geographies; the workers would be excluded from “objective wealth” –which they produce in the form of capital- and, shaken, the system will experience several crises and transition into a higher system, the imperialism.

While most Marxists firmly believe that the countries which were under the imperialist rule lacked possibility of independent development, a much debated alternative view on imperialism was brought in by Bill Warren in “Imperialism and Capitalist Industrialization” (1973) where he posited imperialism as a form of development.

Warren argues that while the imperialist system was “often seen as a structure of dependence whereby the Third World countries are kept in their subordinate place by means of endemic balance of payments problems arising from their trade, aid and investment relationships with the imperialist countries”, and characterized as an arrangement that is an “international system of economic and political domination

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<sup>9</sup> Palma, 1978: 883

based upon and perpetuating a hierarchy of relatively stable rates of accumulation”, where “the surplus produced in the underdeveloped countries is transferred” to the imperialist empires who control their resources for their own benefit, an order which is designed to “perpetuate an international division of labour in production corresponding to the needs of the advanced capitalist world”<sup>10</sup>; the expansion of the capitalist system into the non-capitalist regions also “created the conditions for the destruction of this system by the spread of capitalist social relations and productive forces throughout the non-capitalist world” (1973: 41). This, Warren advocates, is what needs to happen for socialism to develop from within capitalism. While he wrote a century later, Warren was following Marx’s work on India closely on determining the effects of capitalist expansion. On the other hand, Samir Amin, for example, focused more on Marx’s notes on the backwards effect capitalism had on Ireland.

Warren accounts that Marxism has not become as important and as influential as it has on the topic of imperialism in any other subject. In a letter in 1853 Marx wrote that; England had to play two roles in India “one destructive, the other regenerating the annihilation of old Asiatic society, and the laying the material foundations of Western society in Asia” (Melotti, 1977: 114).

However, by the time Warren was writing *Imperialism: Pioneer of Capitalism* (1980), the discourse amongst Marxist authors had become a reversal of the beliefs of the founders of the subject: they no longer held onto the notion of imperialism being a necessary step in progress. “The theoretical fulcrum of this reversal of the Marxist view is the theory of the advent of a new degenerate state of capitalism (monopoly capitalism) that can no longer perform any positive social function,” in contrast, Warren maintains that the reactionary stage of capitalism has had even “greater economic vigour and capacity for technological innovation than its nineteenth-century predecessor” (1980: 3-4).

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<sup>10</sup> Warren, 1973: 35

Palma aims to achieve the rooting of Dependency Theory into its origins by referring to three different concerns<sup>11</sup> of the Marxist theory which become a point of reference according to how imperialism is understood. The historical development of the second of these concerns, the economic and political relationship between the core and the periphery, Palma states, becomes the focus of the analysis if one chooses to use the idea of imperialism in a more restricted sense and not in its broadest which equates it to the capitalism itself. The historical development of the relationship is defined within three distinct phases with reference to Sutcliffe's 1972 analysis which respectively involve:

plunder (of wealth and slaves) and exports of capitalist manufactures to the peripheral countries, (...) the export of competition for supplies of raw materials and the growth of monopoly, (...) a more complex, post-colonial dependency of the peripheral countries in which foreign capital (...) all play a role in confining, distorting or halting economic development and industrialization.<sup>12</sup>

The third of these phases is when the dependency school emerged, for the most part with the analyses on the situation of the Latin American countries; however Palma finds it important to talk of the first two as well, since the concerns of Marx, Engels and Lenin regarding the development of capitalism in "backward nations" are closely connected to the development of the dependency studies. In this way, he hopes

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<sup>11</sup> Those three concerns are listed as:

"(i) the development and the economic and class structure of advanced capitalist societies (especially the factors which drive them to geographical expansion of their economies), and the relations between them;

(ii) the economic and political relations between advanced nations and backward or colonial nations within the world capitalist system;

(iii) the development and economic and structure in the more backward nations of the capitalist system (particularly the way in which their dynamic is generated through their particular modes of articulation with the advanced countries)." (Althusser, 1967 cited in Palma, 1978: 885).

<sup>12</sup>Sutcliffe, 1972: 172 cited in Palma, 1978: 885-886

to place the dependency analysis back in its Marxist roots and clear some of the confusion around which the debates within the dependency school mainly revolve.

Marx's writings are often confusing in regards to the concept of imperialism and capitalism; and Engels later admits that they may have been responsible for much of economic determinism in the Marxist writings by putting too much emphasis on the economic side of the developments. In its essence, they analyse "capitalism as a historically progressive system, which will be transmitted from the advanced countries (through colonialism, free trade, etc.) and which will spread through the backward nations by a continual process of destruction and replacement of pre-capitalist structures" (Palma, 1978: 886) thus putting emphasis on the internal reasons for capitalism to always expand and explain the force behind globalisation. However brutal and severe the results of transition to capitalism may be on human life, Marx also argues that this is a necessary period before advancing to socialism. This may very well be a result of the fact that, as he himself admitted later in life, he had studied the story of capitalism as it happened in Western Europe and only was interested in India and China as "backward nations", but does not deter the truth of the situation since he left the Asiatic mode of production<sup>13</sup> as a hardly understandable "basket" for "all those others" even in 1859 when he wrote the preface for the *A Contribution to the Critique of Political Economy*. His aversion to focusing on other parts of the world is due to his seeing their modes of production as "drag[s] on the process of history, and thus a serious threat to socialism" mostly based on their unchanging nature (Palma, 1978: 888).

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<sup>13</sup>In "Marx's View of Asian Society and His 'Asiatic Mode of Production'" Kimio Shiozawa aims to show "that Marx's view of Asian society gradually developed, that the Asiatic mode of production was posited, and that this was placed historically as being the earliest form of class society, a society based on the Asiatic community, and as being the specific mode of production preceding the ancient slave-owning mode of production" (1966: 309) but attains that beyond this Marx left the concept quite undeveloped. It is the dominant mode of production prior to capitalism in Asia and according to Martin W. Lewis and Kären Wigen, Marx and Engels borrowed from Hegel and utilitarianism this concept and suggested, to put it simply, "that Asiatic societies were held in thrall by a despotic ruling clique, residing in central cities and directly expropriating surplus from largely autarkic and generally undifferentiated village communities," (1997: 94).



However, as Umberto Melotti notes while Marx saw “no potential for autonomous development within societies based on the Asiatic mode of production,” (1977: 114); he had modified his viewpoint in later years upon seeing the effects on the colonialized countries. It must also be noted that Marx had been unable to finish his project, what he left, according to Anthony Brewer, “was not a complete interpretation of history, but a fragmentary outline of European history, an analysis of the capitalist mode of production, and some tantalizingly brief indications of how his analysis could be extended,” (1990: 15).

### **2.2.2. THE CLASSIC WRITERS AND LENIN**

Within the Marxist analysis there have been several important developments following Marx and Engels’ work and Gabriel Palma recounts Rosa Luxemburg and Nikolai Ivanovitch Bukharin’s studies before delving into Lenin’s writings.

Anthony Brewer does not consider Luxemburg among the “classical Marxist” writers whom he identifies as Hilferding, Bukharin and Lenin. Nevertheless he dedicates a chapter to Luxemburg’s work in his book and denotes Luxemburg as following Marx much more intimately than the other writers that will be mentioned in this part. Luxemburg’s 1913 dated *The Accumulation of Capital* is stated to be important as “the only one of the classic writing on imperialism which sets out to provide a systematic analysis of the effect which imperialism would have on backward countries” but is criticized for underestimating the rise of the real wages with the progress of capitalism in developed countries and overplaying “the role of the periphery in the progress of accumulation of capital in the developed countries” (Palma, 1978: 890). In spite of the many criticisms she received, Luxemburg was still influential amongst theories of imperialism for “forc[ing] Marxists to pay attention to the masses of people who were being incorporated into the capitalist mode of production, or who still remained outside of it” (Brewer: 1990: 72) and expanded the scope of the Marxist debate when it had been focused on the advanced countries.

Rudolf Hilferding's *Finance Capital*, published in 1910, was a massive work that contained almost all the points Bukharin and Lenin would also make later, but they were not organized "into a definite concept of imperialism" (Brewer, 1990: 88). According to Brewer, Hilferding set out the idea of the tendency for the creation of monopolies via competition and an inclination for the stratified construction of large blocs of capital, so that these monopolies can assert themselves on smaller firms. Hilferding underlines the role of the finance capital within the process, which supports the expansionist policies the monopolies need as they extend their protected markets as much as possible. Brewer appoints Hilferding "the real founder of the classical Marxist theory of imperialism" (1990: 108) since he was the one to introduce these concepts.

Written in 1915 Bukharin's *Imperialism and World Economy* was significant for in it he "transformed Hilferding's picture of developments inside the advanced capitalist countries into a coherent theory of transformation of the world economy" (Brewer, 1990: 88). Bukharin is noteworthy for analyzing "the rapid process of internationalization of economic life (...) and the process 'nationalization' of capital" while arguing that "imperialism is a phenomenon which connects the advanced and the backward countries" however does not detail the effects of the process on the developing countries (Palma, 1978: 890).

When regarding Lenin's body of work, Gabriel Palma cautions to take into consideration his political activism and his not only writing for the sake of theorizing but also looking for implementing them and thus, trying to see whether they could be implemented, too. Anthony Brewer also notes that especially Bukharin and Lenin's primary writings were heavily influenced by their political agendas and naturally, periods during which they wrote –in their case right after World War I had started. They were rightfully criticized for being Eurocentric, according to Brewer, however they were working to underline the need for a socialist revolution that would transpire in the advanced countries and hence were focused on them.

Palma regards Lenin's *Development of Capitalism in Russia* of 1899 as the "pioneering classic of dependency studies" (1978: 890) as it is "the first systematic attempt to provide a concrete analysis of the development of capitalism in a backward nation" (1978: 891) within the Marxist tradition and has "formulated with simplicity what would be the core of the dependency analyses: the forms of articulation between the two parts of a single mode of production, and the subordination of one mode of production to another" (Cardoso, 1974: 325 cited in Palma, 1978: 891).

Lenin's view on capitalist development as he examined in Russia is summarized as follows by Gabriel Palma:

(i) in conformity with the central tradition of classical Marxist analysis he sees it as politically necessary and economically feasible;

(ii) through a concrete analysis he shows that its development is fully underway;

(iii) the development of capitalism in backward nations is seen for the first time not simply as a process of destruction and replacement of pre-capitalist structures, but as a more complex process of interplay between internal and external structures; in this interplay, the traditional structures play an important role, and their replacement will be slower and more difficult than previously supposed; and

(iv) despite the complexity of Russian capitalist development, both it and the bourgeois revolution which would accompany it would eventually develop and become relatively similar to that of Western Europe (The development of capitalism in Russia would therefore be a kind of 'slow-motion replay' of the same development in Western Europe).<sup>14</sup>

The influence of Lenin's dispute with Narodniks, who argue a leap to socialism is possible without a phase of capitalism first, is evident in his work: he

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<sup>14</sup> Palma, 1978: 893-894

argues that a capitalist phase is necessary *and* is already happening in Russia, anyway; he shows that it is a more complicated process than just destructive and, albeit slowly, the process that is already happening will take Russia to the same results of those who have gone through them earlier.

Lenin's focus on the reasons for why the development of capitalism in Russia may be slow when compared with the pace of the process in those that have gone through it earlier provides us with several interesting ideas that contribute to the debate on capitalist development in late-comers and will be revisited in the Dependency School. He identifies three themes which are also related to each other. First of those reasons is the weak nature of the Russian bourgeoisie and one of the most important connections Lenin makes in this regard is his relating their situation to the role played by foreign capital and pointing out the dependency this created for the country: "[o]n the one hand it accelerates the process of industrialization, while on the other it lies behind the weak and dependent nature of the small Russian bourgeoisie" (Palma, 1978: 893). The second reason Lenin identifies is the fact that while the first developers only had to compete with the traditional forms of production, Russia had to compete with the traditional forms of production *and* those countries who had a head start. The third, which Lenin puts great emphasis on, is the heavy survival of traditional structures in Russia: he emphasises the interconnections between the newly developing capitalist institutions and survivors of the past forms.

The changes in Lenin's approach to capitalist development that were influenced with the 1905 Revolution<sup>15</sup> and the collapse of the Second International<sup>16</sup>

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<sup>15</sup> Revolution of 1905 in Russia although, unsuccessful, was dubbed by Lenin as the "Great Dress Rehearsal" and "produced for the first time in world history the workers' councils, or soviets [who] would later be the centerpiece of the successful revolution of 1917," (SocialistWorker.org, 2005: 8). The start of the revolution is regarded as January 22<sup>nd</sup>, 1905, or the "Bloody Sunday" as around 1000 protestors were killed in front of the Winter Palace in St. Petersburg.

<sup>16</sup>The Second International (1889-1916), also known as the Socialist International, was made up of political parties, unlike the previous one, and had political programs and membership basis in every country and was very involved with the lives of the workers. The start of the World War I in 1914 resulted in crisis for the International as it was left unable to stop it or take measures against it.

In 1915 Lenin wrote: "The collapse of the Second International has been most strikingly expressed in the flagrant betrayal of their convictions and of the solemn Stuttgart and Basle resolutions by the

are important to note as they are closely related to the later development of the Dependency Analysis. Even if Lenin's work cannot be directly applied to other areas for comparison as it focused exclusively on the situation in Russia, it does provide a road map of what the dynamics of a later-incorporated area looks like as it presents "the concrete forms of articulation between the capitalist sectors of the backward nations and the advanced nations in the system, and of the concrete forms taken by the subordination of pre-capitalist forms of production to the former, and to the rest of the system" (Palma, 1978: 896).

Once it was realised that capitalist countries would, for economical (inspiring an increase in demand) and political (ensuring stability) reasons, continue rising real wages and "not through a steady 'maturing' of socialism, but through the exploitation of some other [countries]" (Lenin, 1923 cited in Foster-Carter, 1974: 67) Lenin had a change of heart regarding the necessity of a continuing capitalist development and started believing in the need for a revolution as the progression did not seem to be going towards a socialist order on its own.

A common view of the Classic writers, which contradicted with Marx, was that political independence would assure economic independence and once the pressures of imperialism was removed; the de-colonised country could progress into its industrialization and would be able to overcome the obstacles to this end. Unlike Marx, who criticized the Asiatic Mode of Production, as has been discussed, for being stagnant, and saw the penetration of capitalism into these areas as a positive development which would awaken them and put them on the road of moving forward and towards socialism, the Classics argued that these imperial bonds would hinder the process for these countries and they needed to break free of it via revolutions just to be able to begin developing capitalism.

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majority of the official Social-Democratic parties of Europe. This collapse, however, which signifies the complete victory of opportunism, the transformation of the Social Democratic parties into national liberal-labour parties, is merely the result of the entire historical epoch of the Second International—the close of the nineteenth century and the beginning of the twentieth." (1915: 256).

Amongst the classics it is also important to note Leon Trotsky and his combined and uneven development idea should also be mentioned. Anthony Brewer notes that for a long time “Marxists thought of modes of production as successive stages in the evolution of human society, following each other in a predestined order. In a transitional period, the old mode decays, while the new mode first emerges within the previous system, and then replaces it,” (Brewer, 1990: 226). The old and the new modes are contradictory to each other and during the transition period the new classes are established and political and legal conditions that are beneficial to the new order developed. Trotsky, on the other hand had slightly different approach as he put emphasis on the backwardness of a country in this transition. He states that rather than the bourgeoisie, who would be the new ruling class in the upcoming capitalist mode of production and who by definition should have been the ones calling the shots, were less effective than the state machine in Russia, who “took the initiative in promoting both industrial development and (limited) measures of social and administrative modernization designed to increase the military efficiency of the state” (Brewer: 1990: 226-27). The differences between industrial cities and the countryside only increased as they developed “at different rates” but not in confinement: which he defined as the “uneven and combined development”. Trotsky’s view, according to Brewer, is distinct in the importance it places on the state and while not all the late incorporations to capitalism went through with such an influence, Russia, Japan and parts of south-east Europe did.

According to Gabriel Palma, the Sixth Congress of the Communist International in 1928 presents a crucial turning point in the Marxist approach. The process of capitalist development in backward countries was not only in favour of the imperialists but also of “the dominant classes of the old pre-capitalist system, the feudal-type commercial and money-lending bourgeoisie” (Kusinen cited in Degras, 1960: 526-548 cited in Palma, 1978: 897). Hence sides were defined anew: with the enemy being imperialism and the allied camp defined as everyone except those allied with imperialism. The national bourgeoisie, after all, could only progress capitalism,

as was desired by everyone, within the power of its political influence and needed to be supported.

This new vision was held in Latin America until the Cuban Revolution of 1959 where the classical debate on continuing with the path of supporting a bourgeoisie revolution or initiating a socialist revolution ended with the latter chosen. Cited as reason for the abandonment of the bourgeoisie, as quoted in Booth's 1975 dated article "Andre Gunder Frank: An Introduction and Appreciation", was their links with the landowners, thus their dependence on the imperial forces and their allies within colonised countries which would by their essence make them unable to act independently and in contrast to their interests.

### **2.2.3. DEPENDENCY ANALYSIS ON LATIN AMERICA**

Studies on the reasons for why underdevelopment has happened in, and consecutively, with what kind of a strategy and policies it can be overcome, Latin America are the source for the emergence of Dependency Theory. Vincent Ferraro notes in his article "Dependency Theory: An Introduction" (1996) that it would be erroneous to think of one unified theory as the debates amongst different approaches have been heated and constant. Gabriel Palma, too, for this very reason argues it is better to speak of a School of Dependency rather than one formal theory.

Dependency Analysis first and foremost developed with the studies on the situation in Latin America and Andre Gunder Frank, as one of its first and most important figures, entered the scene of this academic discussion in 1966 with his paper "The Development of Underdevelopment" and is cited by Gabriel Palma as the beginner of one of the three different approaches within the Latin American Analyses in the Dependency School. At its core this approach "attempts to construct a 'theory of Latin American underdevelopment' in which the dependent character of these economies is the hub on which the whole analysis of underdevelopment turns: the

dependent character of Latin American economies would trace certain processes causally linked to its underdevelopment.” (Palma, 1978: 899).

Frank underlines a need for more thorough search on studies that suggest “the global extension and unity of the capitalist system, its monopoly structure and uneven development throughout history, and the resulting persistence of commercial rather than industrial capitalism in the underdeveloped world” (1966: 30). He argues that historical evidence, which he presents on his 1967 dated book *Capitalism and Underdevelopment in Latin America: Historical Studies of Chile and Brasil*, contradicts the idea that the situation in Latin America is due to a dual society<sup>17</sup> or a persistence of surviving feudal institutions. According to Gabriel Palma, Frank’s critique of the dual structure is his most significant contribution to the argument since he shows “the different sectors of the economies in question are and have been since very early in their colonial history linked closely to the world economy” and emphasizes “this connection has not automatically brought about capitalist economic development” (Palma, 1978: 900). Frank is clear on the reason for dependency being the international capitalist system and not the internal dynamics of a specific country:

It is ... widely believed that contemporary underdevelopment of a country can be understood as the product or reflection solely of its own economic, political, social, and cultural characteristics or structure. Yet historical research demonstrates that contemporary underdevelopment is in large part the historical product of past and continuing economic and other relations between the satellite underdeveloped and the now developed metropolitan countries. Furthermore, these relations are an

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<sup>17</sup> Dual Society: “Evident inequalities of income and differences in culture have led many observers to see ‘dual’ societies and economies in the underdeveloped countries. Each of the two parts is supposed to have a history of its own, a structure, and a contemporary dynamic largely independent of the other. Supposedly, only one part of the economy and society has been importantly affected by intimate economic relations with the ‘outside’ capitalist world; and that part, it is held, is modern, capitalist, and relatively developed precisely because of this contact. The other part is widely regarded as variously isolated, subsistence-based, feudal, or precapitalist, and therefore more underdeveloped.” (Frank, 1966: 18-19).



essential part of the capitalist system on a world scale as a whole.<sup>18</sup>

Vincent Ferraro points that, this view showcases an international division of labor where dependent states are responsible for the supply of “cheap minerals, agricultural commodities, and cheap labor, and also serve as the repositories of surplus capital, obsolescent technologies, and manufactured goods” (1996: 3). This division ultimately works for the benefit of the developed countries as they hold the reins and determine the allocation of the flow of the money, goods, and services into these dependent countries in accordance with their economic interests.

Gabriel Palma points to three levels in Frank’s “model of underdevelopment”:

The first is that in which he attempts to demonstrate that Latin America and other areas in the periphery have been incorporated into the world economy since the early stages of their colonial periods. The second is that in which he attempts to show that such incorporation into the world economy has transformed the countries in question immediately and necessarily into capitalist economies. Finally, there is a third level, in which Frank tries to prove that the integration of these supposedly capitalist economies into the world economy is necessarily achieved through an interminable metropolis-satellite chain, in which the surplus generated at each stage is successively drawn off towards the centre.<sup>19</sup>

Palma provides a critique of Frank’s work and states that after his work on the idea of dual society, Frank’s biggest contribution is the fact that he inspired many scholars to work in the field. Frank’s error, according to Palma, stems from his usage of the same economic deterministic framework of the model he means to transcend

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<sup>18</sup>Frank, 1966: 18

<sup>19</sup>Palma, 1978: 900

in relation to the previous argument of being closely linked to the world economy would have brought about economic development; Frank's tradition turns this approach upside down to mean the economic development of the core needs the underdevelopment of periphery. Furthermore, Palma argues that Frank's concept of capitalism is out of the Marxist tradition and becomes circular: "although it is evident that capitalism is a system where production for profit via exchange predominates, the opposite is not necessarily true: the existence of production for profits in the market is not necessarily a signal of capitalist production" (Palma, 1978: 900).

Ernesto Laclau presents an important critique of Frank and argues that there were remnants of feudalism in Latin America, a contributor to its backwardness. This will be discussed more in depth in part 3.3. on Articulation of Modes of Production Debate.

The second tradition within the dependency analysis stems from ECLA (The Economic Commission for Latin America) and its followers. According Vincent Ferraro, they represent a more liberal view than those who share the views of Andre Gunder Frank. Gabriel Palma states that this is due to them taking their roots from the Keynesian, which in its argument that disequilibria that are created by decisions can be overcome "by the collective decisions of individuals through the state" (Keynes, 1932: 318) is opposed to the Marxist idea that the contradictions of the capitalist system were destined to become unmanageable at some point.

Ferraro states that the studies ECLA has run on the state of underdevelopment began under the guidance of Raul Prebisch when he was the Director in the late 1950s, stating that he saw the problem to be the fact that underdeveloped countries sold raw materials which were then manufactured by the developed countries into usable products and sold back to them with a "value added price". Palma, too, argues that the core of the ECLA Analysis was "to show that the international division of labour which conventional theory claimed was 'naturally' produced by the world trade was of much greater benefit to the centre (where manufacturing production is

concentrated) than to the periphery (which was destined to produce primary products, be they agricultural or mineral)” (1978: 907).

The solution to the problem the periphery faced from this division of labour which stood in their way of fully falling into a process of industrialization, according to Prebisch, would be to apply import substitution programs: “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” (Ferraro, 1996: 1).

While Frank’s approach does “not accept the possibility of capitalist development in Latin America” and the analysis put forward under the guide of ECLA “concentrate upon the obstacles which confront capitalist development”, Gabriel Palma indicates a third approach to dependency, “of those who accept the possibility of capitalist development in Latin America, placing the emphasis upon the subservient forms which it adopts with respect to the capitalism of the core” (1978: 898-899).

This third approach, which is related mostly to the work of Fernando Henrique Cardoso, is more successful in incorporating the developments that were happening in Latin America into their analysis since it sees, just as the previous two, these countries as a part of the capitalist system (and therefore necessitates an understanding of the system to understand these societies) but unlike the others states that system is changing and presents a more dynamic approach, which considers the external and the internal factors at work, than the others. Gabriel Palma argues, for the very reason that the situation requires a dynamic approach, that those who analyze specific situations in concrete terms have been the most successful ones that came out of the dependency approach.

In the 1979 preface to the English edition of *Dependency and Development in Latin America*, Cardoso with Enzo Faletto wrote that their goal was to “seek a global and dynamic understanding of social structures instead of looking only at specific

dimensions of the social process” (1979: ix), to analyze the socio-cultural relationships within the society as parts that made up a whole rather than treating them as separate entities. They stress that “social structures are the product of man’s collective behavior” (1979: x) and thus can be and are transformed by social movements. They also emphasize that while it is possible to identify the capitalist system as “interdependent”, as most countries do need something from each other, it is difference in their roles within the system that the dependency lies: “some of its parts have more than their share of leadership and an almost exclusive possession of sectors crucial to production and capital accumulation” and while they do need dependent economies, “the crucial elements for the capital expansion on a cumulative and amplified scale are at their disposal” (1979: xxi).

Despite the vast differences between the approaches, they do share some common ground make room for building a theory onwards. According to Ferraro, the three core arguments that can be found in varying dependency analyses are: the characterization of the international system being made up of two sets of states (whether they are called dominant/dependent, centre/periphery or metropolitan/satellite); the assumption that the primary influence on the economic activities of the dependent states are external actors; and the argument that dependency is deeply seed in the process of capitalist expansion and the situation between the two polar parts of the system are reinforced and the unequal nature of this relationship is intensified through their interactions.

Vincent Ferraro recounts some common propositions of the dependency theorists which he states form the core of the theory. One of them is that *underdevelopment* [“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” (Ferraro, 1996: 5)] is quite different than *undevelopment*, which was how the Europeans viewed the North American land when they first arrived, as the resources were not being used. Secondly, the poor countries of the world are not poor because they have missed out on the progress of the European countries and

they certainly are not on road of catching up with them; their condition is the due to fact that they were integrated into the world economy as suppliers of raw materials “and were denied the opportunity to market their resources in any way that competed with dominant states” (1996: 5). Thirdly, while not clear on what those alternatives may be, dependency theorists agree that alternative uses of resources should be preferred to what the dominant states impose onto the dependent states. The fourth proposition Ferraro counts states that dependency theorists believe that there exists a national economic interest which can “only be satisfied by addressing the needs of the poor within a society, rather than through the satisfaction of corporate or governmental needs” (1996: 6).

The last point Ferraro makes is a call-back to why after the Cuban Revolution, the Marxists stopped working with the domestic elite in trying to achieve their goals:

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.<sup>20</sup>

In *The Rise and Fall of Development Theory* (1996), Colin Leys states by the 1990s the very basic form of dependency theory had been considered moot, as the

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<sup>20</sup>Ferraro, 1996: 6.

newly industrialized countries demonstrated a possibility for the breeching of the dependence created by the system, which will be discussed in Chapter 4. Leys, however, also underlines that the theory's "focus on the many forms of acute dependence of small, open, ex-colonial economies on the powerful economic interests and states that dominate the financial and commodity markets in which they operate ... remains indisputably valid" (1996: 31).

#### **2.2.4. THE WORLD SYSTEMS ANALYSIS AND ITS CONTRIBUTION**

The position of the World System Analysis within the general picture is quite arguable. While, Palma puts Wallerstein's work in with Frank's tradition –and Cristóbal Kay argues that it was, indeed, Frank whose work fell in better with the world system analysis- Ferraro states that this approach had its vigorous debates with the others.

While Palma was sceptical of the integrity of Wallerstein's work, its influence nevertheless has been tremendous. Phillip McMichael began his article "World-System Analysis, Globalization, and Incorporated Comparison" with the following assertive words: "[w]hen Immanuel Wallerstein (1974) subverted the mid-1970s social science scene with his concept of the 'world-system', development, the 'master' concept of social theory, suffered a fatal blow" (2000: 668). Arjan Vliegthart argued the importance of the analysis by stating that, "Immanuel Wallerstein (...) in an attempt to create historical sociology of global capitalism came up with the concept of a world system that is the primary departing point for the analysis of social, economic and political phenomena" (2010: 245).

Vliegthart defines a world system as "an autonomous system that can be defined by a set of dynamic relations between the various elements of the system," (2010: 245). David Lane summarizes the world system literature with the following words:

The world system orientation attempts to combine a Marxist capitalist paradigm with a political-military state system. World system writers divide the *world-economy* into three sectors: the hegemonic core (the dominant ‘Western’ capitalist countries), the periphery (developing countries of the South) and the semi-periphery – countries with industrial capacity and national capital but not part of the capitalist core. Analytically, the ‘core’ is constituted of capitalist countries which, through their transnational corporations (secured through their political hegemony and military power) accumulate capital at the expense of the peripheral countries. The peripheral countries are sources of profit through the supply of primary sector materials or of products at the lower end of the production chain. The ‘semi-periphery’ includes states which are in an intermediary stage: they are agents of economic exploitation as well as subjects of it. Finally, there are external areas that remain outside the world-economy (self-sufficient herding and gathering societies, which are not our concern here).<sup>21</sup>

The contribution of the world system perspective to the literature has been quite influential. According Gabriel Palma, Immanuel Wallerstein is the person to tackle the challenge of analysing the capitalist system as a *whole* in his 1974 published book *The Modern World System: Capitalist Agriculture and the Origins of the European World Economy in the Sixteenth Century*. Alexander E. Wendt notes in that world system theory offers “an understanding of structure as something more than a distribution of capabilities” (1987: 344) and that the contributors of this theory “define the structure of the world system in terms of the underlying organizing principles of the world economy, and in particular of the international division of labor” (1987: 346). Within the world system theory, the powers and the interests of the agents are “produced, and therefore explained, by their relation to the totality of the capitalist world system” (Wendt, 1987: 346).

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<sup>21</sup>Lane, 2010: 218-219

As Cristóbal Kay states while “one of the limitations of many dependency analysts, as with many theorists of imperialism, is that their analysis tends to be one-sided –either on the imperial countries or on the South”, the focus on world accumulation and “adopting the global system as the unit of analysis” helps see the bigger picture. McMichael argues that this shift of the unit of analysis was what made the world system perspective “able to accommodate the phenomenon of the New Industrial Countries (NICs) at the same time as world inequality across the historic north/south division endured” (2000: 669). The critique the world system perspective raised against development was very in tune with the times that Wallerstein’s book was published, McMichael notes, a decade had passed with the application of the developmental policies advised by the institutions of the New World Order and their deficiencies were becoming apparent. “Development was now posited as a systemic process, where core-periphery relations were the real development dynamic and core states were outcomes, rather than units, of development” (McMichael, 2000: 669).

Peter Evans professes that:

What is refreshing about the world system approach is that the question of exogenous effects on development is no longer phrased in terms of strength or weakness of links between the center and a given peripheral country. Rather, the issue is phrased in terms of consequences of occupying a given structural position within the world system as a whole.<sup>22</sup>

While the world system theory was groundbreaking in shifting the focus to and handling the problem as one of the entire system, it was not without its debatable aspects and its critiques. Robert Brenner criticized Wallerstein on the grounds that he fails “to take into account either the way in which class structures, once established, will in fact determine the course of economic development or underdevelopment over an entire epoch, or the way in which these structures themselves emerge” (1977: 22

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<sup>22</sup> Evans, 1979: 15



cited in Evans, 1979: 18) as have other Marxists. There have been propositions of different classifications of the hierarchical groups of regions, such as David Lane's (2010), offering a picture of the world system that not only adds a fourth block to that of core, periphery and semi-periphery in the form of a "counterpoint" –"a social system that can operate independently from, and in harmony with, the core"- which he argues was what the state socialist countries were; but also identifies a "hegemonic bloc" and "satellites" within the core. And there have been disputes on which countries fall into which part; for example Kenneth Bollen argues in 1983 that Spain, Portugal and South Africa showed characteristics of being a part of the semi-periphery even though David Snyder and Edward L. Kick had defined them as being part of the core in the 1960s in 1979. The most debated of the concepts of world system approach, however, is the semi-periphery.

#### **2.2.5. THE CONCEPT OF SEMI-PERIPHERY**

Peter Evans shows that the concept of semi-periphery presented by Wallerstein while integral to the analysis and one of the major introductions of the theory, is quite an abstract notion; "[t]he idea of the 'semi-periphery' provides a good example of both the suggestiveness and the frustrating lack of definition that characterize Wallerstein's key concepts" (1979: 16) he observes.

Kenneth Bollen states that while the positions that countries fall into in the world system are "largely relational" there is still common traits a group of countries share that are divergent from that of the countries in another group. For example countries in the core are "generally economically diversified industrialized, and relatively powerful in the world system (...) more likely to give than to receive foreign aid" and are likely to have a great deal of control within the international organizations that they are a part of (Bollen, 1983: 474). Meanwhile Daniel Chirot defines the periphery as "economically over-specialized, *relatively* poor and weak societies that are subject to manipulation or direct control by the core powers" and

semi-periphery as “societies midway between the core and periphery that are trying to industrialize and diversify their economies” (Chiot, 1977: 13 cited in Bollen, 1983: 469).

While conceptualizing the semi-periphery seems easy enough as the midway of the periphery and the core; it is not quite so. Evans quotes Wallerstein on that while the semi-periphery lies “in between core and periphery on a series of dimensions (...) it is not an artifice of statistical cutting points nor is it a residual category” (Wallerstein, 1974: 349 cited in Evans, 1979: 16). From there out Evans tracks Wallerstein’s notes, mostly from his 1973 dated article “Dependence in an Interdependent World: The Limited Possibilities of Transformation Within the Capitalist World Economy”, on the semi-periphery and finds that the area is in fact essential to the capitalist system both politically and economically.

The political importance of the semi-periphery is quite psychological and akin to the effects of holding a carrot in front of a horse: “The major means by which such crises [political rebellion of oppressed elements] are averted is the creation of ‘middle’ sectors, which tend to think of themselves primarily as better off than the lower sectors rather than as worse off than the upper sectors” (Wallerstein, 1973: 3 cited in Evans, 1979: 16).

In regards to the economic reasons the role of the semi-periphery is crucial for the maintaining the capitalist system Evans underlines several notes amongst which are:

For individual capitalists, the ability to shift capital, from a declining leading sector to a rising sector is the only way to survive the effects of cyclical shifts in the loci of the leading sectors. For this there must be sectors able to profit from the wage-productivity squeeze of the leading sector. Such areas are what we are calling semi-peripheral areas (Wallerstein, 1973: 3).

In an expanding world-economy, semi-peripheral countries are beggars, seeking to obtain a part of the world market against other semi-peripheral countries...

However, when world contraction comes... semi-peripheral countries may be courted as the outlets for core products get relatively rarer (Wallerstein, 1973: 16).<sup>23</sup>

Evans argues that asserting that the countries Wallerstein himself considers the semi-periphery –listed in 1976 as Brazil, Mexico, Argentina, Venezuela, Portugal, Spain, Italy, Greece, Norway, Finland, Algeria, Egypt, Saudi Arabia, Israel, Nigeria, Zaire, Turkey, Iran, India, Indonesia, China, Korea, Vietnam, Canada, Australia, South Africa and possibly Chile, Cuba and New Zealand- “occupy homologous position in the capitalist world-economy” is quite a challenge and even bigger a problem is proving that they do.

In 2010 Arjan Vliegthart appears to have a clearer set of rules for identifying the semi-periphery. Firstly, semi-peripheral states have their own manufacturing industries and have their own positions in the “so-called global commodity chain”; the semi-periphery’s “relatively vibrant industrial base is to provide a source of cheap labor that counteracts upward pressures on wages in the core and, at the same time, provides a new location for the ‘declining’ industries that can no longer function profitably in the advanced economies, mainly as a result of too high wage costs”. Secondly, “economic development –that indeed occurs in the semi-periphery–is related to capital brought into the semi-periphery from core economies”, which gives way to the notion of “dependent development” (2010: 246).

In all his criticism Evans argues that giving up on the world system theory for not having its concepts defined in precision is a mistake and one needs to take the theory for what it is: “an imaginative attempt to shake up established paradigms of comparative sociology” (1979: 17). While Wallerstein may not have provided a clear cut definition for the notion, he chose to focus on the substantial problem how the different parts of the system relate to one another since as Rapti Mishra summarizes

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<sup>23</sup>Evans, 1979: 17

this is a dynamic system and the relationships between its parts are “relative and not constant” (2013: 167). Moreover, Vliegenthart’s definition seems to have breeched this problem and provided a good strategy to help with the categorization and will be used in this thesis.

## **CHAPTER 3**

### **THEORIES ON CAPITALIST EXPANSION AND CAPITAL ACCUMULATION**

As Samir Amin notes in 1977 expansionism is a general characteristic of the capitalism and while it may not always cause imperialism, as imperialism is a specific form of it, it is tied to the inner workings of the system. David Harvey asserts that, for Marx, the accumulation of capital was “the engine” of capitalism and the system was therefore “highly dynamic and inevitably expansionary” (2001: 237). Why capitalism needs to expand and in which ways it expands ties into how new regions are integrated into the system. Their integration processes in turn, relates to their positions in the hierarchical order and how they become dependent on the core areas.

In this chapter three different theories in relation to the workings of the capitalist system will be presented. Firstly, why capitalism needs to expand and the phenomenon of globalization will be explained, in relation to how the system continuously creates crises. David Harvey’s concepts of “spatio-temporal fixes” and “the structured coherence” will then be used to demonstrate how the expansion happens. Articulation of modes of production theory and the regimes of accumulation debate will then be presented as complementary approaches to what happens when capitalism moves to a new area

The information and theories presented in this chapter will also be helpful in Chapter 4 where it will be further discerned how the creation of unevenness within the system and the dependence of the area on other happens.

### **3.1. CAPITALIST EXPANSION: CYCLES OF GLOBALIZATION AND CRISES**

Capitalist expansion in its most recent era has been capped as globalization. Globalization, considering the domineering use of it in the academics, journalism, and everyday life discussions, is a word that is still not understood clearly. It was an unstoppable force, “there [was] no alternative” than to adapt to it, it was “omnipresent” and for some reason, everyone still had to restructure themselves to fit better with it, helping make it while becoming a part of it; but neither the sceptics nor the supporters of the idea were quite clear on what it really was.

Ergin Yıldızoğlu notes that there are two types of globalisation that is shaping the world now: “we have globalisation as a form of civilisation, which continued its historic journey under the capitalist mode of production (...) The other is capitalist globalisation as a sub species of the first one” (2009: 42). This last capitalist globalisation was underpinned by the ideas of neoliberalism which, as David Harvey describes, “is a theory of political economic practices proposing that human well-being can best be advanced by the maximization of entrepreneurial freedoms within an institutional framework characterized by private property rights, individual liberty, unencumbered markets, and free trade” (2007: 22). Within this ideology the role of the state was as minimal as it could be wherein it creates the ideal groundwork for capital to function in its interest, creates markets if necessary but does not interfere beyond that as long as it is not needed to align the disrupted conditions again. The real life process has not been synonymous everywhere and yet this has been the general consensus that has been pushed. What globalization is and through which channels it happens will be discussed in this part.

After the recent economic crisis of 2008, globalization has gained even more sceptics. The concept (and its applications) left the previous consecutive crises period of the 1997-2001 unscarred and with more force and belief into them for the crises had happened in the peripheral countries that merely needed to “catch up” with the developed world; the “[i]nsufficient liberalisation and a stubborn resistance to neo-

liberal reforms and globalisation”<sup>24</sup> being the causes. However, even then the globalization had started to end and now; according to Yıldızoğlu (2009) the general opinion, the new Zeitgeist, has also come to this conclusion: we have reached the end of an era.

According to Walden Bello (2003) “[g]lobalization is the accelerated integration of capital, production, and markets globally, a process driven by the logic of corporate profitability”. Taken under this meaning, globalization that has been discussed since the late 1970s appears to be not “the Globalization”, but merely one of the globalizations; for this period is not the first time that the history has witnessed acceleration in integration to the global market.

As reported by Giovanni Arrighi, throughout the capitalist history, periods of rapid and stable growth have been followed by a crisis of overaccumulation. David Harvey defines the state of overaccumulation as a situation which happens when “[s]urplus capital and surplus labor power exist side by side with apparently no way to bring the two together to accomplish socially-useful tasks.” (2001: 315). The overaccumulation of capital results in heightened competition and severe financialization which then gives way to a financial crisis. This brings a period when, as Arrighi cites Fernand Braudel, “the leader of the preceding expansion of world trade reaps the fruits of its leadership by virtue of its commanding position over world-scale processes of capital accumulation” (Arrighi, 1999: 225) which also undermines its leading position, irredeemably, and hence results in a change of the hegemonic leadership.

Counting four “systematic cycles of accumulation”<sup>25</sup> that has happened under the capitalist era, Arrighi constructs a study of the global market the British

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<sup>24</sup>Yıldızoğlu, 2009

<sup>25</sup> “The Genoese-Iberian cycle stretched from the 15th through the early 17<sup>th</sup> century; the Dutch cycle stretched from the late 16th through the late 18th century; the British cycle stretched from the mid-18th century through the early 20th century; the US cycle started in the late 19th century” cited in Li, Xiao and Zhu (2007: 35).

hegemony has created from the mid-nineteenth century and how it demised and gave way to the following hegemonic force that was the United States as an example. Looking at the “big picture” it is easy to see the general lines of the historical reality fitting with the theory: Britain begins constructing a global space, a free market, enters in a depression period (1873-96), which is overcome by the expansion of finance capital that makes Britain the financial centre of the world but cannot overcome the wars and the consequent crises of the early twentieth century and soon is stripped off its title as the hegemony by the US –who then begins to construct its own world market.

But why does the crises happen? As Li, Xiao and Zhu state in the very beginning of their article<sup>26</sup> “[c]apitalism as a historical system rests upon the pursuit of profit and accumulation of capital”.<sup>27</sup> Quite simplified, a circuit of capitalism begins by money and commodities that are used for the production process that will in the end be sold as new commodities or bring an interest as the invested money. The crucial factor is that the money that is gained at the end has to be more than the initial money; there needs to be a profit that will help expand the system that will ensure that the system will go on. But it is also the sole reason for the “enigma of capitalism”; the capitalists that make the profits will make those profits on the account of the commodities they will sell to consumers, who are also their labour power. And where do these consumers earn the money that will allow them to consume these commodities? From their wages, a part of the initial investment to the production, that is provided by the producer they work for, who is trying to gain at the end of the circuit more than he has invested at the beginning. In the end “production of the total supply of commodities exceeds the monetarily effective demand in the system” and then everything begins to shake. Credits will be given away to increase demand, to make sure the produced goods are bought and the system can go on. However, these credits are given on the account of interest rates, and the ability to pay them back

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<sup>26</sup>“Long Waves, Institutional Changes, and Historical Trends: A Study of the Long-Term Movement of the Profit Rate in the Capitalist World-Economy” (2007).



again rests on the profits created at the end of the circuit. So the system becomes further destabilized and the money that could have been invested into production and restart the process goes to credits and speculations, drying away from the system.

The entire profit machine can only exist within a specific political-geographical set up with legal structures, institutions, state and state of mind; a special environment that it creates for itself, a “structured coherence” as David Harvey calls it. In expanding, it is not merely the end result products that the capitalist system takes to the new places, it is this structured coherence, this way of thinking and behaving that it expands. And when a moment comes that the circuit can no longer renew itself, it needs adapt to new conditions. In the next part David Harvey’s structured coherence as well as what he calls the “spatio-temporal fixes of capitalism” will be explained in relation to the capitalist expansion.

### **3.2. DAVID HARVEY’S CONCEPTS ON CAPITALIST EXPANSION**

Marx, according to David Harvey, prioritized time over space in his analysis of capitalism and he was right to do so: “The aim and objective of those engaged in circulation of capital must be, after all, to command surplus labor *time* and convert it into profit within the *socially-necessary turnover time*,” (Harvey, 2001: 327). Harvey, as a geographer, is known for bringing space together with political economy and offering a Marxist account of historical development.

#### **3.2.1. SPATIAL AND TEMPORAL FIXES OF CAPITALISM**

David Harvey’s “fixes of capitalism” approach helps shed some light on what happens once the system finds itself in a crisis. In the chapter “Geopolitics of Capitalism” of *Spaces of Capital* (2001), Harvey is concerned with the situation in

which unemployed, unused surpluses of capital and labour exist side by side, a crisis of overaccumulation that capitalist world economy falls into periodically. He asks whether there are “ways to absorb the surpluses productively through opening up new conduits and paths for the circulation of capital?” and argues that while “spatial and temporal displacements offer ample opportunities to absorb the surpluses with”, they do come with their own consequences and “neither stratagem offers a permanent resolution to the inner contradictions of capitalism but that resort to either (or both) fundamentally alters the way in which crises are expressed,” (Harvey, 2001: 318).

The spatial fix happens through the exportation of capital and commodities, in search for new demand and cheaper labour force while temporal fix refers to the moving of capital in from space to time, through financialization, credits and big long-term investments made in social projects or military.

These spatio-temporal adjustments sound like they could “fix” the problem. But they do not go without their own problems. The existing political and economical environment may present a resistance to these movements; legislation may not allow for such actions, certain classes may stand against the movement of production classes, workers that will be left without jobs due to the factories moving to new regions of the world may protest and if they don’t, their sudden unemployment will again result in a decrease in demand (a decrease the cheap labour of the newly “globalized” countries may not be able to compensate by itself), the political class may not understand the new needs of the capital and try to stick to its traditional ways. The resulting friction is called a situation of “switching crises” during which new ideas and paradigms are shaped, new culture and new types of man and woman are made and a new structural coherence is formed that is to host the new ways in which capital can circuit and reproduce the profit. As Li et al state:

Past historical experience suggests that the declining phase of a profit rate long wave is likely to be accompanied by major political and social turmoil that undermines the existing institutional structure and paves the way for the

emergence of new economic, political, and social institutions.<sup>28</sup>

Globalization, that is the making of a globe and of including more and more (and finally the total) of the world into the capitalist world economy, happens exactly through these spatio-temporal fixes, and is in effect, a crisis management form of capital's internal contradiction. But does it create a solution? Initially maybe, but in the end, even if there is a magically smooth passing to a new structural coherence and the capital somehow manages to keep going for awhile, the crises of the decreasing profits will strike again, this time affecting even more places (the new peripheries that were included in the last crisis) and eventually, unless we come up with a way to move into a new planet as Stephen Hawking suggests, it will run out of place to go. Harvey states "[a]s temporal and geographical solutions to the inner dialectic of overaccumulation run out, the crisis tendencies of capitalism once more run amok, interimperialist rivalries sharpen and the threat of autarky within closed trading empires looms," (2001: 343) and the one thing that is sure to be globalized in the end is the crisis.

An important point that should be mentioned here is that once capital moves to a new region, it effects the existing economic and political structure in that region to differing results. It is possible, that the area may become a new centre for capital accumulation which may manifest itself into the area gaining political power within the capitalist world economy in time. For example, while North America was quite severely under the rule of the European and later, especially, the British capital it has then become a hegemonic power centre on its own. China, which is argued to be the next hegemonic ruler, also came into capitalism through its interaction with the Western capital. Chapter 4 will provide more detailed information on ways capital

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<sup>28</sup> Li et. al, 2007: 47

may effect a region and the reasons for differing results in the position of the newly incorporated area in the world system.

While economic crisis has long been thought of as a dysfunction of the system stemming from exogenous factors; as if, has there not been that single distraction, had the government not intervened too much, had the working class not accepted the conditions that would have worked for everyone's benefit, everything would have continued unaffected. Thinking of globalization (and not Globalization) as something that has had happened four times since the start of capitalism, as a cycle with booms that are followed by busts which result in deep economic crisis that lead to shift in political power, puts that idea into a new retrospect.

In the guidance of Harvey's spatio-temporal fixes of capitalism working as means to help spread and globalize the capital, we can see that crisis, and that "omnipresent", unavoidable, inevitable force of globalization are not a dysfunction of the system but they *are* the system, at least quite a big part of it.

### **3.2.2. THE STRUCTURED COHERENCE**

It has been mentioned before that when capitalism moves into a new geography, the process does not only entail the moving of capital but also the creation of a habitat in which the capital would feel at home. Merely setting up trading partnerships and financial tools is not enough, the establishment of the fitting ambience, the creation of the new men and women with "proper" minds to behave according to the way the system requires them to behave is also vital, their "sensibilities" are "structured". This process, as is globalization, is not automatic but is achieved through repeated decisions made by capitalists and politics, as new class alliances are formed and old ones mutate or dissolve.

Even while as Marx argues capitalism “is necessarily characterized by a perpetual striving to overcome all spatial barriers and ‘annihilate space with time’” (Marx 1973: 539 cited in Harvey, 2001: 327) and this process is done by the productive forces of capitalism “through investment and innovation in transport and communication systems” (Harvey, 2001: 328); there still *are* spatial restrictions, which are defined by the technology. What happens within those confines as a result of the processes, such as how the capital and labour force are brought together for production and what decisions individual capitalists make to “shape the geography of production into distinctive spatial configuration”, “is a tendency towards what [Harvey calls] a *structured coherence* to production and consumption within a given space” (2001: 328).

This structured coherence, as Aydalot notes, embraces the forms and technologies of production (patterns of resource use interindustry linkages, forms of organization, size of firm), the technologies, quantities, and qualities of consumption (the standard and style of living of both labor and the bourgeoisie) patterns of labor demand and supply (hierarchies of labor skill and social reproduction processes to ensure the supply of same) and of physical and social infrastructures (...) (Aydalot 1976). The territory within which this structured coherence prevails is loosely defined as that space within which capital can circulate without the limits of profit within socially-necessary turnover time being exceeded by the cost and time of movement. An alternative definition would be that space within which a relatively coherent labor market prevails (the space within which labor power can be substituted on a daily basis –the commuter range defined by cost and time of daily labor movement- is a very important spatial disaggregation principle under capitalism).<sup>29</sup>

Hence, once capitalism runs into a crisis and feels the need to expand into a new space to get out of this crisis, or put differently as it externalizes its

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<sup>29</sup>Harvey, 2001: 328-329

contradictions, or if the environment it has already occupied is not ideal for its profit, it starts working to make it so. In “The Double Burden on Maquila Workers: Violence and Crisis in Northern Mexico” (2010) Hepzibah Muñoz Martinez argues that as technology progressed and complexity of manufacturing has increased, it has become even more important for the transnational production to achieve and keep coordination across plants to keep on running a profit. “As complex manufacturing becomes more regionally or globally dispersed, firms’ reliance on structured coherence of the territory increases,” Martinez states, the capital that has set up its rules in an area and assured a working mechanism of production is reluctant to move to areas that do not offer the same conditions. Structured coherence guarantees that the supply chain between the actors that take part in the production process is secured while the labour being available and experienced, the necessary infrastructure being in place ensures that it “takes place on time with minimum defects and waste” (Martinez, 2010). While capital depends on the prevalence of the structured coherence, it needs to mobilize and move to new places, since as it had been discussed, expansionism is in the core of its nature and is in fact what saves it from collapsing during the times of crises. This creates a tension between capital’s fixity and mobility and, as Martinez cites Lefebvre, the settling of this tension is achieved through the intervention of the state:

This involves state investment in infrastructure and state legislation to shape labour markets and the form of investment. This not only helps the state to facilitate accumulation but also reasserts its political power as the regulator and guarantor of markets and property relations (Brenner & Elden 2009). At the same time, the state remains a site of struggle, where class power is institutionally materialized, and therefore the state also mediates social conflict (Poulantzas 1975, 25).<sup>30</sup>

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<sup>30</sup>Martinez, 2010

The state further gets involved with the structured coherence through the fact that it is the one to mobilise the counter-tendencies when the tendency for the rate of profit to fall emerges. This argument was generated by Joachim Hirsch, as John Holloway and Sol Picciotto express, which he sees the “tendency of the rate of profit to fall (...) as the expression of a social process of class struggle which imposes upon capitalism the necessity of constantly reorganizing its own relations of production” (1978: 26). The counter-tendencies, then, are “the expression of a *social complex of conditions of production*” and their mobilization “means in practice the reorganization of an historical complex of general social conditions of production and relations of exploitation in a process which can proceed only in a crisis-ridden manner”, as stated by Hirsch in his article in Holloway and Picciotto’s book (1978: 74). Hirsch concludes that the path for capitalist development does not occur “by some kind of law of nature”, but is regulated “by the actions of the acting subjects and classes” (1978: 75). And these decision-makers operate in accordance with the structured coherence.

In fact, state’s intervention makes the predominance of the structured coherence even more prominent and provides an example of the policymakers actively implementing the structured coherence into a new area. Policies in regards to the how the labour and capital will be organized and regulated apply within the territory through the decisions of the states. The decision may not entirely lie on one state either. Being a member of political or economic unions, international organizations, security pacts means for most states falling in foot with the others. These organizations that are armed with their criteria and programs represent a good example of the sculpting of a new structured coherence for an area.

World Bank and the International Money Fund (IMF), both founded following the end of the World War II and institutions that have acted as pillars of the American hegemony in the neoliberal era, are two examples of such transnational organizations who introduce the necessary conditions for capital to prosper to the countries that seek aid (and initially, some of those countries did not even seek aid

but were made to believe they needed it) through the conditions they put forward. Of importance is IMF's "gatekeeper" role, which is, as explained in Eurodad Report its ability to continue playing a crucial role in determining the access the countries in need have to debtors even when it is not directly providing the aid itself since "nearly all official development donors/creditors (bilateral and multilateral) tie their development aid and debt relief to the presence of an IMF program" (2006: 5). This makes the conditions IMF puts forward highly potent.

The Eurodad Report defines conditionality as "the commitments contained within a loan or grant contract that developing countries must adhere to if they are to receive all or part of the funding," (2006: 6) and the policy conditions IMF imposes can be described in general groups: the quantitative conditions, "a set of macroeconomic targets on poor country governments determining, for example, the level of fiscal deficit a government is allowed to go into or the level of domestic credit allowed", and the structural conditions, those that "push for institutional and legislative policy reforms within countries [that] include, for example, trade reform, price liberalisation and privatisation," (2006: 7). The important take away from this is that the number of structural conditions are quite high, which can be attained from the name of most agreements with IMF being "structural adjustment programs".

The Eurodad 2006 Report analysis the conditionalities of both the World Bank and the IMF and finds that both institutions put forward privatisation as a must for the poor countries they are lending aid to, and the number of these conditions were increasing despite heated arguments against privatisation and evidence showing it actually results in worsening the positions of poorer peoples. The two institutions pushing for similar policies furthers the possibility of said policies being imposed, too –if one fails then the other one succeeds. Banking and energy are the two sectors that are most regularly put forward as the ones that should be privatised.

"Capitalism perpetually strives," David Harvey states, "to create a social and physical landscape in its own image and requisite to its own needs at a particular point in time, only just as certainly to undermine, disrupt and even destroy that landscape



at a later point in time” (2001: 333) and what it needed at this point in time was a freedom for itself like never before. This is being spread throughout its reign by way of treaties, peoples, ideas and policies continuously to reshape and redesign the texture, just as it has in Turkey through the conditionalities of international organizations, such as the European Union, but especially “structural adjustment programs” put forward by the IMF.

### **3.3. ARTICULATION OF MODES OF PRODUCTION DEBATE**

It has been previously mentioned that the Dependency Theory caused quite a stir in the literature and there became so many differing approaches that scholars such as Gabriel Palma thinks it more fit to call it a “School of Thought” rather than a formal theory. Aidan Foster-Carter counts the major criticism the theory received was on the grounds that it was too broad and that it lacked conceptual rigour. Especially the second one aimed to conceptualize underdevelopment with proper Marxist terms and this pushed for a focus on modes of production. A third line that aimed to advance beyond the dependency theory took to analyzing the articulation of modes of production.

Marx’s own theory of capitalist expansion, in its simplest form, appears to be an all-consuming process. In his 1986 dated dissertation Anders Rudqvist narrates that while the “linear evolutionist thinking” of the development in Marx overlaps with that of the modernization theory and the underlining of capitalist expansion as dissolving and destructing all precapitalist modes of production rapidly indicates a rapid transformation (“the capitalist system pre-supposes the complete separation of the labourers from all means by which they can realise their labour. As soon as capitalism is once on its own legs, it not only maintains this separation but reproduces

it on a continually expanding scale,”<sup>31</sup>), he also notes this transformation can happen in several ways and may be gradual.

Ernesto Laclau in his critique of Andre Gunder Frank, argued that there were remaining elements of feudalism in Latin America, which existed “not exogenous to capitalism, nor as pockets of decline, but as an intrinsic and structural part of a wider system” (Foster-Carter, 1978: 51). Laclau maintains that the effects of the external market intensified or even invented the precapitalist modes of production. Aidan Foster-Carter summarizes that “this capitalism neither evolves mechanically from what preceeds it, nor does it necessarily dissolve it. Indeed, so far from banishing pre-capitalist forms, it not only coexists with them but buttresses them, and even on occasions devilishly conjures them up *ex nihilo*,” (1978: 51).

At this point it is important to give several definitions from the literature. Foster-Carter accounts that the concept of “articulation” has not been mentioned in the Marxist world prior to Louis Althusser and thus appoints him as the inventor of the word for its usage within this context, which is used primarily to mean “join together”. While Althusser and Etienne Balibar used it to that end contributed to the ideology in their thinking, they used other expressions for the second meaning of the word “articulation” i.e. “give expression”, which is important according to Ken Post since “the double meaning precisely expresses the relation between the economic base and the other ‘instances’ (e.g. the political): not only are they linked together, but the political *gives expression* to the economic,” (Foster-Carter, 1978: 53). Additionally worth noting is a general definition of what a mode of production is. According to Anthony Brewer, the mode of production, everything that goes into production of the necessities of life, is “defined by the relation between the direct producers and the owners of the means of production” (1990: 231).

Within the articulation of modes of production debate, Rudqvist states, there formed a new treatment of social formations, which was the “combinations of

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<sup>31</sup>Marx, *Capital Vol. I*, 1977: 668 cited in Rudqvist, 1986: 10

different modes of production or, more specifically, one dominant mode of production and its articulation with different modes or relations of production within the context of one social formation” (1986: 10). Rudqvist states that social formations were “understood as concrete totalities constituted by the economic political and ideological practices in a certain geographical context and during a certain period of time” (1986: 11), while even though the mode of production is a totality covering economic, political and ideological levels, the economic is the dominant one.

Within the economic level, Rudqvist narrates, workers, means of production and non-workers are identified as the distinguished elements which are related through: a) property relations –“the appropriation of the surplus labour traditionally denominated ‘relations of production’”- and b) relations of material –“the relation between worker and nature, traditionally denominated ‘productive forces’” (Rudqvist, 1986: 11).

While Louis Althusser and Etienne Balibar were a pioneer in thinking of the coexistence of several modes of productions during times of transition, it is Pierre-Philippe Rey who has provided one of the first and most effective analysis of the social formations as combinations of modes of production and used the concept of articulation of modes of production in its popular notion. Rey inspects the transformation from the feudal to capital and aims to develop “a single analytical framework that will comprehend both the European transition from feudalism to capitalism and also the latter’s articulation with other pre-capitalist modes” (Foster-Carter, 1978: 56). Articulation, for Rey, is a process, “a combat between the two modes of production, with the confrontations and alliances which such a combat implies: confrontations and alliances essentially between the *classes* which these modes of production define.”<sup>32</sup>

Foster-Carter summarizes Rey’s stages of articulation as:

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<sup>32</sup>Rey, *Les Alliances de Classes*, 1973: 15 translated by and cited in Foster-Carter, 1978: 56.

1. an initial link in the sphere of exchange, where interaction with capitalism *reinforces* the pre-capitalist mode; 2. capitalism ‘takes root’, subordinating the pre-capitalist mode but still making use of it; 3. (not yet reached in the Third World) the total disappearance of the precapitalist mode, even in agriculture.<sup>33</sup>

Beverly Grier notes that the third phase has only ever happened in the United States.

While for the purpose of this discussion the focus has been put on the economic and sometimes political implications of the process, it is important to note that articulation is also a cultural process and has an important part in the cultural theories. Jennifer Daryl Slack explains that articulation could be seen as transforming “cultural studies from a model of communication (production-text-consumption; encoding-decoding) to a theory of contexts” (Grossberg, 1993: 4 cited in Slack, 1996: 112).

In its essence Rey argues that during an articulation, capitalism’s logic is a constant and the differing interactions and the means that should be used for capitalism to overcome the pre-capitalist mode of production depends on the pre-capitalist mode of production. Feudalism had the characteristics to create capitalism from within itself but other modes of production are resistant to it and need external forces such as colonialism for capitalism to overcome them and Rey accounts that violence may even be used. Rey’s arguments are criticized for this presumption, and also for not being clear on the often used term of capitalism having “taken root”.

Furthering the concept, Barbara Bradby argues that capitalism “has different stages of development, at which both its needs and capabilities may alter,” and thus instead of talking of “capitalism” one must distinguish between, “1. capital as a whole; 2. individual capitalists; 3. branches of capital; 4. countervailing

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<sup>33</sup>Foster-Carter, 1978: 56

tendencies.”<sup>34</sup> Ken Post is also cited as an important contributor as he applied the theory to the situation in Jamaica and provided a case study in *Arise, Ye Starvelings: The Jamaican Labour Rebellion of 1938 and Its Aftermath* (1978).

The arguments of the authors of the articulation of modes of production can be summarized as they were in a paper titled “Creating Space for Change: A Perspective on the Sociology of Development” based on his lecture given on November 15<sup>th</sup>, 1974 Norman Long: “non-capitalist production relations and institutions are maintained but become functionally useful or ‘necessary’ for the operation of capitalist enterprise through the supply of cheap raw materials, foodstuffs, and labour,” (Long, 1984: 170). It is indeed derived that they conclude the underdeveloped nature of the Third World stems from the fact that the capitalist mode of production not having taken control fully. Grier notes a similarity between this approach, and specifically Rey’s, and the Modernization Theorists:

Rey assumes that the failure of transition lies within the precapitalist (or, alternatively, the backward and traditional non- Western) society. The conclusion that can easily be reached is that only more exposure to capitalism (or, alternatively, more exposure to Western ideas, values, techniques, etc.) will result in a transformation.<sup>35</sup>

While the ideas of the transition from a previous economic system to capitalism taking time and capitalism using the means of its antecedent to further its own agenda are plausible, the notion that it is the remnants from said preceding systems that cause the underdevelopment and that once these countries complete the third stage of the articulation they will become power centers such as the United States is quite arguable and has not been realized.

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<sup>34</sup>Foster-Carter, 1978: 67-68

<sup>35</sup>Grier, 1981: 26

### 3.4. REGIMES OF ACCUMULATION

The final approach to the workings of the capitalist system as a whole that will be presented stems from the Regulation Theory and its concepts, regimes of accumulation and peripheral Fordism as its look at the formation in the peripheral countries.

The Regulation Theory is an approach that arose from France in the 1970s and in a chapter titled David M. Kotz states that it “holds that capitalism has experiences a sequence of ‘regimes of accumulation,’ each associated with a particular ‘mode of production’ that governs the accumulation process,” (1994: 85). The theory aims to shed light on the long-run trends of the capital accumulation process “by analyzing the relations between the capital accumulation process and a set of social institutions which affect that process,” the central idea here being that “crucial features of the trajectory of the capital accumulation process, over a long time period, are the product of the supporting role played by a set of social institutions,” (Kotz, 1994: 86). According to Kotz, the theory argues that capitalism moves through a series of stages, “each characterized by a specific form of the accumulation process embedded in a particular set of institutions,” (1994: 86) such as the ones Boyer identifies through his work on France: “‘the old regulation’ of the eighteenth century, the ‘competitive regulation’ lasting until World War II, and the postwar ‘monopolist regulation’”<sup>36</sup>, and economic crisis is the prelude to the transition.

David Harvey borrows from Lipietz to underline that the existence of a regime of accumulation relies on the consistency of its reproduction scheme: it “describes the stabilization over a long period of the allocation of the net product between consumption and accumulation; it implies some correspondence between the

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<sup>36</sup>Boyer, 1987: 19-21 cited in Kotz, 1994: 86

transformation of both the conditions of production and the conditions of reproduction of wage earners”. (Lipietz, 1986: 19 cited in Harvey, 1989: 121).

For a regime of accumulation to function, it needs to be supported by its environment as David Harvey states, it was a challenging task to “bring the behaviours of all kinds of individuals –capitalists, workers, state employees, financiers, and all manner of other political-economic agents- into some kind of configuration that will keep the regime of accumulation functioning” (1989: 121). Lipietz identified the necessity as “a materialization of the regime of accumulation taking the form of norms, habits, laws, regulating networks and so on that ensure the unity of the process, i.e. the appropriate consistency of individual behaviours with the schema of reproduction” (Lipietz, 1986: 19 cited in Harvey, 1989: 121), i.e. the production and reproduction of the structured coherence.

The most well-known concept that has stemmed from the Regulation Approach is the Fordist regime of accumulation, which has been based on the characteristics of mass production in the United States. Much debate has been on whether this regime was applied throughout the globe or whether the differences were enough to warrant a different sort of classification.

Alain Lipietz identifies Fordism with two “relatively distinct, though historically and theoretically interlinked, phenomena” (1982: 34). It is firstly, a mode of capital accumulation, “based upon radical and constant change in the labour process, such that the workers’ ‘know-how’ is incorporated in the form of machinery”, a “‘system of intensive accumulation’, combining a rise in apparent labour productivity with an increase in the per capita volume of fixed capital”; and secondly it refers to “*the continual adjustment of mass consumption* to the historically unprecedented rise in productivity generated by intensive accumulation,” (Lipietz, 1982: 34-35). While the Fordist regime of capital accumulation had been working quite nicely in the postwar era with the necessary conditions for its profit provided; however once the days of the “Golden Age” of the US prosperity came to past, the purchasing power of the masses started to decline (for how can you keep profiting

when your consumers are your workers and you need to keep their wages low *and* rely on their ability to consume) and the situation turned into a crisis of underconsumption, or if we take to look at the saturation of the markets (there is only so many of a good people can buy) there was an overproduction; this regime has started to crumble.

Alice H. Amsden summarizes the relation of the global-Fordist ideology to the underdeveloped countries as follows:

The experience of mass-production industries in the United States—call it *Fordism*—is the point of departure for understanding Third World development. Mass-production technology created unprecedented increases in output based on *Taylorism*, which comprises two parts: the decomposition of jobs into their smallest constituent units; and top-down management. The de-skilling of jobs and top-down management, however, create downward pressure on wages, such that the mass consumption necessary to sustain mass production is jeopardized.<sup>37</sup>

Lipietz identifies the mass production as it takes place in the late industrializing countries as “peripheral Fordism”. He sets to “consider the ‘peripheral’ countries for themselves, as social formations with their own social relations and policies corresponding to their own dominant classes,” (1982: 40) and accounts the regime of accumulation found there as thus:

In the 1970s a new pattern emerged in certain countries. It was characterized by the existence of autonomous local capital and by the presence of a sizeable middle class, and a significant element of a skilled working class. In some cases, its origins lay in an earlier import-substitution policy or in a peripheral form of merchant capitalism (Chinese in Eastern Asia). In other cases, it emerged from the ‘miraculous’ promotion of

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<sup>37</sup>Amsden, 1990: 7



exports of raw materials such as oil or from an earlier stage of primitive Taylorization. This conjuncture allowed certain states to develop a new logic which we will refer to as 'peripheral Fordism'.<sup>38</sup>

Amsden analyses the "late industrializers" and accounts that Lipietz's approach falls short in explaining why some of them have been able to show considerable development (such as South Korea) while others have not. There are several key differences Amsden notes that make the conceptualization of the peripheral Fordism questionable: while the point of stumble for Fordism is underconsumption, the Third World is concerned with the increasing productivity and becoming internationally competitive; the state intervention is much higher in the late industrializers to varying degrees of success; and while the technology is comparable "Taylorist"<sup>39</sup> nuances effect the productivity growth. She recounts that:

in both early and late industrialization, capital-labour relations influence accumulation, and the regime of accumulation influences capital-labour relations. Similar regimes of mass production in early- and late-industrializers, however, have been associated with strikingly different capital-labour relations, throwing into doubt the existence of a 'global Fordist' model.<sup>40</sup>

In effect, the idea of there being differing regimes of capital accumulation that are adapted to and embedded in the structure of social institutions of a certain era and the transition from one to another is preceded by a crisis is one that can be accounted

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<sup>38</sup>Lipietz, *Mirages and Miracles: The Crises of Global Fordism*, 1987: 4-5 cited in Amsden, 1990: 8

<sup>39</sup>Taylorism is "a process of labour discipline and workshop organization based upon supposedly scientific studies of human efficiency and incentive systems" popularized by Frederick W. Taylor at the turn of the twentieth century. "Preoccupied with the problem of 'soldiering' or labour slowdowns, Taylor timed basic work actions, developed programmed task instruction cards for employees, recommended factory planning departments, and devised wage scales based on piece work, such that the productive worker shared in the expansion of output, but would fall below a subsistence wage and be forced to quit were he to prove inefficient," (Maier, 1970: 29).

<sup>40</sup>Amsden, 1990: 31

with. While Amsden's argument also holds valuable points it is possible to introduce the idea of articulation can be applied to the regimes of accumulation. The differences between the application of the Fordist model in its core and in the periphery may stem from the fact that, in the periphery it was still going through its transition period where it articulated with the regime of accumulation of the area as it crept towards domination.

### **3.5. SUMMARY: BRINGING THE THEORIES TOGETHER**

Three approaches were presented in this chapter; David Harvey's concepts on capitalism at large and its expansion in specific, articulation of modes of production and regimes of accumulation. These theories, while they may appear to be alternating to one another at first glance, are actually complementary in explaining the workings and expansion of the capitalist system.

When capitalism runs into one of its inevitable crises, it tries to fix this problem by reallocating across time and space. It is a system that thrives on expansion. When it moves to a new area through these spatio-temporal fixes, the capitalist mode of production articulates with the existing mode of production of the area and slowly penetrates and dominates it. The regime of accumulation associated with the particular capital that has arrived also articulates itself with the various regimes in the area in a hierarchal manner while capital further establishes its structured coherence and carves a more comfortable space for itself.

As this is a process and since it also depends on the how and what the conditions of the existing structure of the newly conquered area was prior to the arrival of capitalism, and also through which means capital does arrive; the results are not uniform, as the cases presented in Chapters 4 and 5 will also show. In how the coming of capital effects a space, the existing relations of state and different

classes also play a big role and hence the state has gained an importance within the literature as well.

## **CHAPTER 4**

### **THE RELEVANCE OF DEPENDENCY THEORY IN UNDERSTANDING CONTEMPORARY CAPITALISM AND THE CRISIS IN EUROPE**

The previous chapter offered a discussion of the core workings of the capitalist system and outlined why the capital needs to move to new geographies and proposed several theories on how it does so and how this shifts the mode of production in the new area. For story development purposes, the next step is to understand what the options are for the new region after capital arrives and what causes differing outcomes. In this chapter, the discussion on relative state autonomy will be used to demonstrate the importance of many elements coming together for there to be a chance of the newly integrated area to avoid total dependence and achieve development within the capitalist world system. Furthermore; the situation of Europe will be presented to showcase the eligibility of the dependence theory. Firstly, it will be argued that the Eastern European countries, which have become a part of the European Union and so, on paper, the core, in fact preserve their position as the semi-periphery of the Western European countries and owe their recent developments to the capital from these countries. Secondly, the situation in Greece and other Southern European countries will be discussed.

#### **4.1. STATE INTERVENTION AND THE AUTONOMY OF THE CAPITALIST STATE**

The growth in industrial output the Third World countries showed in the 1950s and 1960s has been a severely debated topic in the literature, especially in the 1970s. According to David Kang, this initial interest in the performance of the

countries had reached a plateau through the 1980s but resurfaced again at the beginning of the 1990s. The distinctions between the experiences of the East Asian states and the Latin American countries have been a point of inference in the studies of development and dependency.

The fact that some late industrializers did achieve a certain level of development within the capitalist system was put forward as a basic critique and reason for the subsequent shelving of the Dependency Theory. Since there appeared to be a possibility for development within the system, it was a moot point to argue otherwise. However, there are two major points to be discussed within this regard. Firstly, while the development of these selected number of countries had been already acknowledged as will be highlighted in this chapter, it has been already identified as dependent development. Secondly, there has been an emphasis on the role of the state in formulating and in implementing particular strategies of development, as exemplified by the comparative studies regarding Latin America and East Asia. In contrast, this emphasis on the state as an *explanan* of successful capitalist development was turned upside down as the state was presented as an impediment obstacle by the advocates of neoliberal policies.

In 1991 Rhys Jenkins introduces several criteria on what determines whether the late-comers into the capitalist system will become a part of the developed countries or remain underdeveloped. He notes that most authors before him have assigned the differences to the economic policies implemented in the two regions with the East Asian states successfully adopting outward and market-oriented policies while the Latin American states were run by inward-oriented import substitution industrialization and that their heavy state intervention introduced market failures. Jenkins argues that this view is problematic as it firstly attributes the entire success of the East Asian countries to their good Neoclassical values and fails to take into account the “favourable circumstances and a good start” (Little, 1981: 25 cited in Jenkins, 1991: 198) and also does not provide an in-depth explanation for the reasons why these countries have chosen to adopt said policies –while he recounts East Asia

lacking in natural resources driving it to look for the export-led growth and there being a “greater political power of rural interests” in the area (Sachs, 1985 cited in Jenkins, 1991: 198) , a “lack of spine and discipline” (Harberger, 1988: 177-8 cited in Jenkins, 1991: 198) on behalf of Latin America- he deems them unsatisfactory.

Indeed, the generalization of the East Asian states owing their successful growth to export orientation and opening their markets to the world is considered almost moot in our day. At the very least it cannot be said to be true for all the East Asian states, and some have actually been empirically proven to have utilized, and quite substantially so, the one thing that Latin American countries are most criticized for utilizing themselves –government intervention. In her work Alice Amsden has provided a new paradigm of development to explain the process the late-industrializers went through and emphasizes the importance of learning for their growth as opposed to the innovation and invention that were the hallmark for the earlier industrializers. David C. Kang puts forward that:

In so doing, Amsden highlights two critical features of the Korean case: first, *‘the state intervenes with subsidies deliberately to distort relative prices in order to stimulate economic activity,’* and second, *‘in exchange for subsidies, the state has imposed performance standards on private firms’*. These two features are made possible by a third, institutional, factor; namely, a strong state: ‘Industrialization was late in coming to ‘backward’ countries because they were too weak to mobilize forces to inaugurate economic development.’<sup>41</sup>

One of the design principals put forward for an effective industrial policy by Dani Rodrik is stated to be a need for a “clear benchmark/criteria for success and failure” (2004: 22). Even though he emphasized that the industrial policy-making was an experimental process and included that making mistakes in picking the winners was acceptable (the cost of mistakes should be minimized) as another one of his

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<sup>41</sup> Kang, 1995: 558

principals; Rodrik took one of the features of the South Korean development as a guideline for future policy making.

This is a characteristic Amsden refers to as “disciplining big businesses” while examining it in “two interrelated dimensions: (a) penalizing poor performers; and (b) rewarding only good ones” (Amsden, 1989: 15 cited in Kang, 1995: 560). This is one of Amsden’s more celebrated contributions to the discussion. The distinction Amsden makes between early industrializers is the number and the size of the firms operating in the economy, which is admittedly based on a rather neoclassical assumption itself.

Amsden argues, that since late industrialization is not characterized by a large number of small firms (as was the case with First Industrial Revolution), it is not possible to rely on competition to discipline those firms. Under late industrialization, where there were a few big firms, government acted as the since there was no automatic mechanism to drive the firms to be productive. Amsden underlines the power held by the government in this case by stating that “[n]o firm in South Korea could succeed if it openly criticized the government,” (1990: 22); but makes a point that having political relations only would not grant anyone a subsidy. There were serious measures that were acted upon to make sure the private agents were serving to the ends of the economic targets: the firms all had to export sooner or later, with the amount of exports providing the government a transparent measure of the progress of the firm; all commercial banks were under government control, giving the government full authority on granting subsidies and discouraging speculation; “market-dominating enterprises” were disciplined through annual price control; and finally the investors were subject to controls on capital flight, or the remittance of liquid capital overseas.

In short, subsidies in Korea (as in Japan and Taiwan) have been allocated to big business according to the principle of reciprocity, in exchange for performance standards, whereas in other late-industrializing countries subsidies have tended to be dispensed as giveaways, in what amounts to free

for all. Subsidized firms in Korea have received cheap capital (often at negative real interest rate, the ultimate ‘wrong’ relative price), but they have had to produce, not speculate. They have been allowed to sell in a protected home market, but they have had to raise productivity and quality to increase their share of foreign markets. They have been allowed to import foreign technology, but they have had to begin investing in their own R&D. They have been allowed to exploit Korean labour, but they have had to train it and, in the case of the big companies, retain it through economic slumps.<sup>42</sup>

Amsden lists South Korea, Taiwan, India, Brazil, Mexico, Japan and possibly Turkey and Argentina as late industrializers, countries that “either just before or during the twentieth century began to grow from agricultural economies to industrial ones at what are now considered rapid rates” (Amsden, 1989: 140) and states even though their growth rates and institutions differed, they have exhibited similar central tendencies, which she argues that were against the laws of the market-oriented approach. This, Amsden defines as the market-augmenting paradigm which differs from the market-conforming approach with the fact that government is involved and quite effectively so, with the workings of the market:

[G]overnment initiates growth by using the subsidy to distort relative prices. Then big business implements state policy. The role of small firms varies by industry, but basically the process of industrialization through learning involves the subordination of small firms to large ones in subcontractual relationships. (...) Two behavioral patterns are associated with high concentration in the learning context. First, (...) *[c]ompetition tends to be a consequence of growth*, not a cause of it. Second, (...) *[g]rowth contains the seeds to increase productivity*, and increased productivity raises output further in an upward spiral.<sup>43</sup>

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<sup>42</sup>Amsden, 1990: 22-23

<sup>43</sup>Amsden, 1989: 150



If the state in fact does intervene with the market in the very nicely developed East Asian countries, just as in the Latin American countries who are scolded for such interference, then where does the difference in the performance of the two areas stem from? Rhys Jenkins argues that it is in the effectiveness of the economic policies implemented by the states of the two regions, and the difference in this effectiveness comes from the differences in the relative state autonomy enjoyed by governments.

Jenkins uses the concept of relative state autonomy “to refer to the ability of the state to pursue policies which are in the interest of capital as a whole, even when they conflict with the interests of particular fractions of the dominant class”<sup>44</sup> and states that the higher the relative state autonomy, the better the state is in its ability to lead and coordinate the many public organizations toward a common goal and the more the conditions for successful capital accumulation are met. Generally speaking, the Third World countries are believed to lack such strength while the late-industrialized countries of East Asia are frequently described through their strong states.

Before talking more in detail about the relative autonomy of the state, it can be useful to give a definition of state. In 2012 Ergin Yıldızoğlu defines state as an organism, one that constantly moves under the pressure of class struggle, whose borders may expand or contract but always stay ambiguous. Yıldızoğlu thinks of this organism of state in capitalism as an “organic network of relations”, one that eases the capitals movement across space and time and its processes of constructing time and space; organizes (or tries to organize) the movement of the trends against profit rates; brings forth the necessary financial and institutional changes during economic crisis; applies and guards the application of labour inspection systems within the biopolitics; creates, keeps alive or destroys ideological apparatus; and forms the subjectivities that are in line with the process of reproduction of capital and fosters or

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<sup>44</sup>Jenkins, 1991: 202

supports cultural processes to this end. As it becomes an ever changing and adapting being of its own, it becomes clear how painting the borders of a state is a formidable task. Furthermore, as is the focus of this thesis there is the matter of how this state with its fluid borders functions within the scope of the capitalist system. Kees van der Pijl, proposes to look at how the “West”, the block of countries and their international institutions that reproduce the political economic structure that has risen under the hegemony of the United States, exerts “its dominion over client nation-states as a ‘gearbox’ for managing popular demands” (2011: 30). This gearbox gives the West the ability to switch the gear and settle for more nuanced degrees of “coercion and consent” with the nation-state in question, in tune with the “actual popular pressure” from the peoples of the country.

It should be acknowledged that the debate on state theory has created a number of controversies from different theoretical perspectives which cannot be gotten into within this thesis. Suffice it to say as Erik Olin Wright noted the protagonist of these debates would be roughly divided between Weberians and Marxists. While the Weberians are more interested in the capacity of the state, the focus of the Marxist scholars has been on the “variations in the *class content* of what it is that the state does, given its capacity” (1996: 176). Wright praises Peter Evans on putting forward a framework that could merge these two traditions in *Embedded Autonomy*; a state form that is “*autonomous* insofar as it has a rationalized bureaucracy that cannot be instrumentally manipulated by powerful rent-seeking groups outside of the state, but it is also *embedded* insofar as state elites are enmeshed in social networks and other relations that put them in close contact with dominant players in civil society” (1996: 177).

The autonomy of the capitalist state changes through time and space, and not just from country to country but also varies within the country too. Hence naturally, not all of the East Asian countries enjoyed the same level of relative autonomy and neither did the Latin Americans, but in general the first group had a higher autonomy than the other. Jenkins recounts that the Argentinean, Brazilian and Mexican states

enjoyed stronger relative autonomy during the populist governments of 1920s and 1930s, but with the weakening of the agro-export bourgeoisie so did the state's power.

It is through the combined effects of the specific history of class struggles and class formations in a given area and the international forces the relative autonomy of a state is determined. In 2003, Vivek Chibber points out that while in most literature in regards to Asia, but especially on South Asia, the importance of capitalist class dynamics has a tendency to be glossed over in favour of state dynamics; capitalist classes play a focal role in the fortification of states.

The internal structure of the state and its ability to construct "adequate state bureaucracy which is able to implement government policy," with "a strong shared sense of purpose and identity" (Jenkins, 1991: 204), in turn, contributes to the capacity of the state to intervene. According to Rhys Jenkins, the East Asian states such as South Korea and Taiwan inherited effective state organizations from the times they were Japanese colonies. As Clive Hamilton notes the Japanese colonialism weakened "the traditional governing class and landed aristocracy, robbing them of much of their political power," (1983: 143) in South Korea and Taiwan and with the introduction of land reforms after the Second World War which resulted in a more egalitarian distribution of land. These developments effectively removed a powerful class of landlords from the East Asian countries whose interests would have clashed against the industrialization.

The emergence of the industrial bourgeoisie is also quite different between the two regions. According to Hamilton, since the industry was dominated by the Japanese capital during the colonial period, the defeat of the Japanese meant that the majority of the industrial capital fell into the hands of the state and they were then given to the favoured capitalists, who were more inclined to follow in with the governments influence than those in Latin America who had existed since the early twentieth century and had a higher ability to exert their interests to the governments.

The effect of the situation of the working class on the relative autonomy of the state is more controversial one: while Dietrich Rueschemeyer and Peter B. Evans argue in 1985 “that pressure from subordinate groups tends to increase the relative autonomy of the state”, Rhys Jenkins argues that “they may also reduce the ability of the state to implement policies which are in the interest of the dominant class as a whole” (Jenkins, 1991: 209). Jenkins compares the situations of the working classes between the East Asian and Latin American states through the rapid industrialization periods of 1960s and 1970s and finds that the Latin American states in general had more militant working classes –meaning that the level of unionization in their countries was higher and incidents of strikes were more common.

The labour was under the control of the state in East Asian states through trade unions and this allowed the South Korean and Taiwan states to ignore the interests of the working class while planning and practicing the economic policy. Jenkins notes that this was also true for Brazil, but only during the first ten or fifteen years of its military regime, from 1964 to about 1980. In the late 1950s and early 1960s this was not the case according to Jenkins and while Argentina was an extreme case even within its own group of countries (Table 4-1), the number and duration of strikes was still significantly higher in Mexico, too, than those of South Korea and Taiwan.

The reasons for the lower level of organization and low numbers of strikes in the East Asian states are several. Firstly, there was political repression on the organizations of workers (by way of law in Taiwan and with the repressions of the military coup of the 1961 in South Korea). Rhys Jenkins also states that the structure of the labour stemming from the nature of the industrialization in the East Asian states prevented them from becoming more united. The percentage of women workers within the workers was much higher in these countries than was in Latin America (and women workers are generally regarded to play less of a role in organizing the workers) and especially in Taiwan the “pre-dominance of small-scale industry, often dispersed in rural areas, has prevented the emergence of large concentrations of industrial workers which are usually seen as a basis for labour militancy,” (Deyo,

1986: 188-92 cited in Jenkins, 1991: 211). Meanwhile in Latin America, though not always successful, the populist governments played crucial parts in the mobilization of the workers in order to re-define their relationship and control the increasing demands.

**Table 4-1:** Industrial Disputes, 1964-72 (Number of Strikes and Thousands of Days Lost)

	South Korea		Taiwan		Argentina (BA)		Mexico	
	Disputes	Days	Disputes	Days	Disputes	Days	Disputes	Days
<b>1964</b>	7	2	7	2	27	636	62	n.a.
<b>1965</b>	12	19	15	11	32	591	67	n.a.
<b>1966</b>	12	41	5	5	27	1004	91	n.a.
<b>1967</b>	18	10	5	13	6	3	78	n.a.
<b>1968</b>	16	63	20	2	7	16	156	n.a.
<b>1969</b>	7	163	2	10	8	150	144	n.a.
<b>1970</b>	4	9	31	24	5	33	206	n.a.
<b>1971</b>	10	11	9	2	16	159	204	n.a.
<b>1972</b>	0	0	57	3	12	153	207	n.a.

*Source: ILO Yearbook of Labour Statistics (various years) in Jenkins, 1990: 210*

Aside from the power struggles amongst different classes in an area, external factors also play a role in the determination of the relative autonomy of the state. For example, the inflow of international aid to the East Asian states during the Cold War period due to its geopolitical importance in being close to the communist countries has played a part in determining the state power. While, foreign aid is usually counted as a sign of dependence on other countries, Jenkins argues that in this case, since it gave power to the state over the other classes in the country it helped strengthen its relative autonomy. On the contrary the capital inflow to Latin American states in the 1950s and 1960s happened mainly through direct foreign investment, which did not fall directly into the hands of the state and, according to Jacqueline Roddick, even when the main external resource for finance became bank loans in the 1970s, the

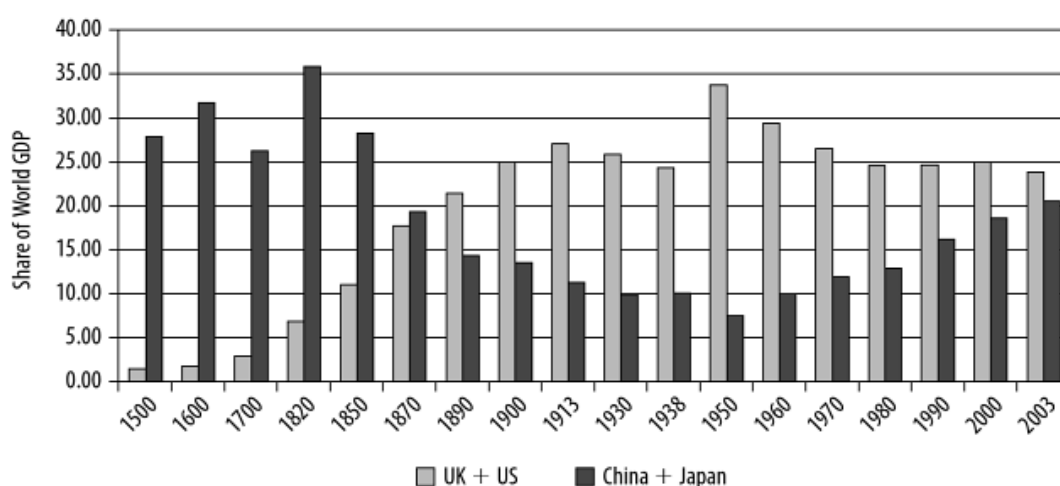
main debtor was the actors in the private sectors (Roddick, 1988: 70-71 cited in Jenkins, 1991: 213).

Threat from neighbouring countries is another factor that plays into the relative autonomy of the state: Jenkins states that “[t]he external threat both legitimizes the role of the military in politics and makes economic growth an imperative for survival,” and through the threats of North Korea to South Korea and People’s Republic of China to Taiwan “a broad consensus exists around the necessity for rapid industrialization and economic growth as the central objectives of government policy,” (1991: 213). Whereas even when the military takes power in the Latin American states it faces problems of legitimization, without an external enemy, the military rule can only be justified by internal enemies, which is divisive by nature.

As can be seen from Jenkins’ portrayal a strong relative autonomy can only be achieved through the outlining of several different factors coming together; and then there needs to be proper state structures and a strong sense of pledge by the officials and the general public toward economic growth is also needed. Rhys Jenkins polls the capacity to transfer surplus from agriculture to the industry (and the absence of a powerful land-owning class in East Asia that allows it), the existence and the adaptability of the industrialization strategy, control over foreign capital and technology and the fiscal situation of the state as factors that concentrated the relative autonomy of the state in East Asian states toward the miracles they had shown in their economic performances.

The case of China showcases a possibility in developing within the capitalist system. Amongst the mainstream discourse on Dependency Theory, it was assumed that development within the system was almost an impossible feat; that one had de-link from the capitalist system to have a chance of developing. However, we can see that China has developed within the system and while its position on whether it belongs in core or semi-periphery are debatable, it certainly reached to a level where it is considered to be contender for the next hegemon.

China had been the leading economy in the world and at the centre of the East Asian economic activities for many years prior to capitalism. While Europe was getting all over itself to reach to the treasures of the East and establish and then gain the control of trade routes, the East was flourishing with its resources. The economic activity of East Asia was not inclined towards a race for overseas empires as was the case with Europe, and the picture the constant warring of the many and different powers of Europe created was not mimicked in East Asia with China as the central power of the region. As Giovanni Arrighi demonstrates in 2009 it wasn't until around 1890 that the combined GDP of United States and the United Kingdom as percentage of world GDP surpassed that of China and Japan (Figure 1).



Source: Arrighi, 2009: 23

**Figure 4-1:** Combined GDP as Percentage of World GDP: US + UK vs China + Japan

As Figure 4-1 illustrates, East Asian states have been catching up to the West in the recent years. Chinese trade makes up the bulk of the global trade and the country is once again amongst the deciding the leaders in the world politics. This revival of its importance, William I. Robinson states in his 2010 dated analysis is set

upon the “revival of regional trade and marketing networks that were more developed in the region than in Europe until the eighteenth century and on the fusion a revived Industrious Revolution with the Industrial Revolution” (2010: 11). Following the Communist revolution of the 1949, the Chinese state revived “focus on agriculture and created a workforce of higher quality than in other low-wage countries that now makes it possible for China to develop a market system based on skilled labour rather than capital machinery” (Williamson, 2010: 11). In 1980s mainland China began to be reintegrated into the regional and global markets and became the “ultimate destination” for the “snowballing process that mobilized on an ever-expanding scale the region’s low-cost labor resources to supply the wealthy (and increasingly noncompetitive) producers and consumers of the West” (Arrighi, 2009: 37). Who would benefit as a result of this trend, the Chinese people or the international investors, was dependent upon the Chinese government’s ability.

The Chinese economy’s integration into the capitalist world economy has been led and directed by the Chinese state, not left to the initiative of the private sector. The more recent developments of the country “owes much to the historical heritage of the Maoist era”, as Alvin So points out in 2002, for the policies of this era “has provided China with a strong Leninist party-state, [and] a concentration of power in the communist party” (So, 2002 cited in Beeson, 2009: 14). This has given the state ability to carefully guide the transition from planned economy towards the market, having embarked on the road from socialism to capitalism in 1979, the government “spent a decade slowly whittling away the institutions that defined the planned economy” according to Doug Guthrie (2000: 728). In his 2000 dated article Guthrie states that even while gradual economic autonomy was given to private actors they were still “embedded in the hierarchy of the former command economy” and basic institutions “such as the Party and institutions of education, all of which took on particular forms with particular consequences in the old system, still remained” (2000: 729). It was within the power of the state to control the changes that were introduced as the landscape took the form to accommodate global capital comfortably.



However, we cannot say that China is completely devoid of dependence on the system. With increased efforts of colonialization in Africa, China is also creating its own sphere and trying to position itself as a core for other areas to depend on. It has managed to locate itself within the system in a new position and much of this is owed to its history that shaped its state formation, but it has not become a part of the core entirely. China's case may very well be pointing towards new forms of dependency; one where the newcomer can develop within the system, albeit in an uneven way, and somewhat maintain its autonomy while still integrating into it.

This is also indicative of the nonuniformity of dependent states. As Chapter 3 had illustrated the expansion of capitalism happens with several reasons, through different channels and with differentiating outcomes due to the existing structure of the area upon its arrival. It is no surprise that while some areas with certain state structures could at least have a chance in guiding this process, others would not. And hence, while certain parallels can be drawn, it cannot be expected that one would see exactly the same indicators in all areas that are considered to be dependent.

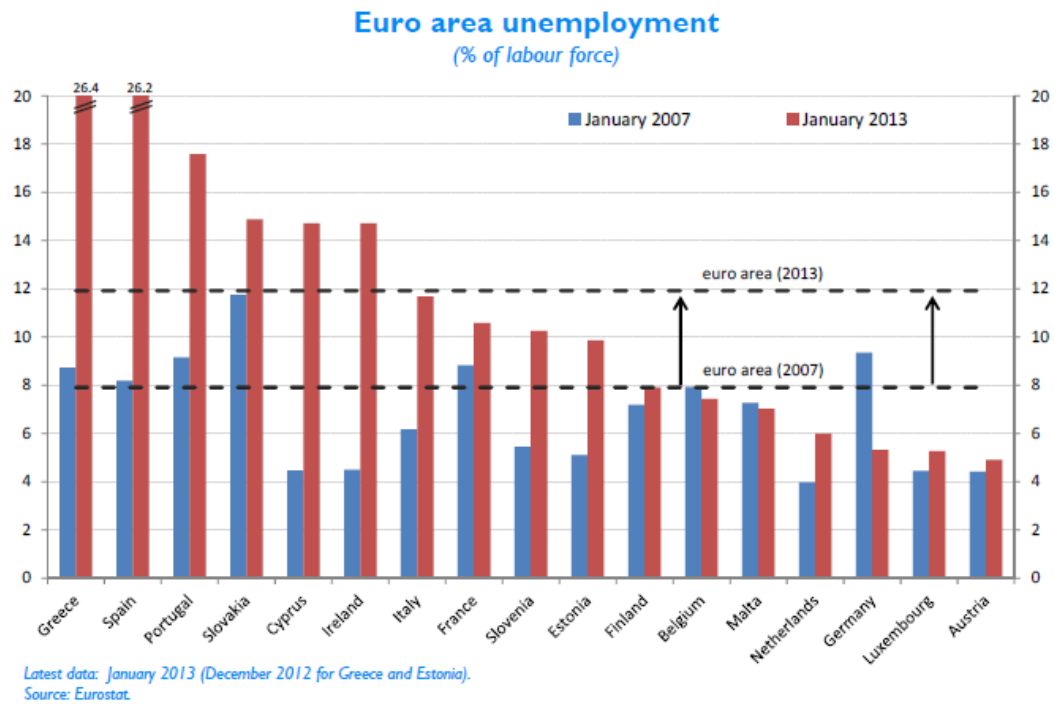
#### **4.2. THE RELEVANCE OF DEPENDENCY THEORY TO OUR DAY: THE SITUATION IN EUROPE**

Lo, and the dependency theorists would have us believe the capital's movement to a new region generally results in it losing its autonomous power and the area's development being strictly tied to the developments in the core countries and more generally, to what's happening in the system as well. This theory has been debated vigorously in the 1960s and 1970s, since then it has been almost forgotten and glossed over by the coming of neoliberalism, its policies, its growth and its stability; and its promise that this was to be for everyone.

Until 2008 came crashing the party, that is.

In this part the aforementioned areas will be briefly studied to show that they fit in with the idea of dependent development and are part of the semi-periphery despite having been promoted to be part of the developed world or on their way towards it.

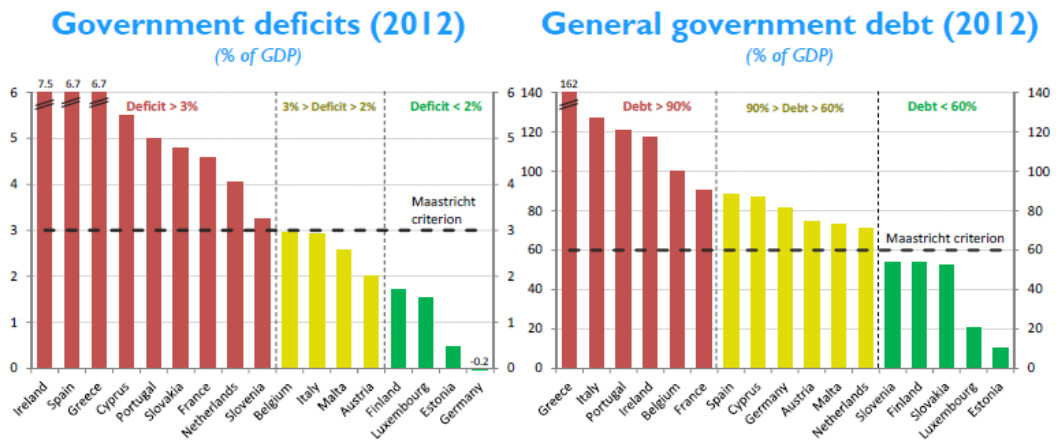
On March 14<sup>th</sup>, 2013, Mario Draghi, the President of the European Central Bank, presented several economic statistics of the situation of the countries of the Union, and strangely enough they did not showcase a “unified” appearance at all. For example, while still above it, the unemployment rate in Greece as of January 2007 was quite close to that of the average of the euro area, and that of Germany’s at around 8 to 9%. Come 2013, Greece was experiencing an unemployment rate of 26.4% while Germany was close to 5% (Figure 4-2). The government deficits of the countries, as of 2012, were also quite diverse, especially once we factor in the general government debt as a percentage of GDP: countries such as Greece, Italy, Ireland, Portugal and France all not only had government deficits higher than 3% of their GDPs (as is the Maastricht criteria) in 2012, but their overall debts reached percentages higher than 90% of their GDP as well. Meanwhile, even though Germany has a higher debt percentage than of the Maastricht criteria at around 80%, it actually ran a government surplus of 0.2% in 2012 (Figure 4-3). Germany also kept on giving a surplus of the current account balance along with Belgium, Austria, Luxembourg and Netherlands, while countries such as Greece, Italy, Estonia and Portugal experienced further imbalances during the 2008 crisis.



Source: Draghi, 2013

**Figure 4-2:** Euro area unemployment as percentage of labour force for January 2007 and January 2013

Source: Draghi, 2013



**Figure 4-3:** Government deficit as percentage of GDP and General Government Debt as percentage of GDP for euro area countries, 2012

From the beginning the European Union has been *project* towards a common market; as Timothy Garton Ash proposes in 2012 that it is “a project of the elites”

even. Ash points out that the masses were also in favour of a unified Europe, since the memories of the peoples of the continent had been riddled with the devastating wars, especially of the last century. But the fact remains: the European Union has been planned and constructed by the rulers of Europe, the treaties prepared and the policies implemented to make sure the countries would move towards an acceptable economic system that would be beneficial to all of them. It had been deemed successful, too. As Arjan Vliegthart states the recently joint member states were seen as being “in a process of catching up with the more advanced economies of Western Europe,” (2009: 243), a convergence of the area appeared to be under works. In Ash’s words “European peoples with historical complexes about being consigned to the periphery of Europe felt themselves to be at last entering the core,” however, after decades of planned integration, policies implemented towards a common market and a common currency, “that illusion has been shattered,” (2012).

Carlo Bastasin states that the structural divergence between the core and the periphery of Europe feeds into the crisis it is in and while some countries have managed to keep up with Germany’s industrial pace others show “a clear sign of detachment from the center of economic gravity in Europe,” (2010: 2). Bastasin believes even though the convergence had yet to happen and the “two Europes” have been complementary in a “rather perverse way” until now, the “unstable equilibrium will self-correct –thanks to the hard lessons of the crisis- into a new model: more growth from Germany and more deflationary adjustment in the periphery,” and this change is “inevitable” (2010: 2-3). Andrew Moravscik, on the other hand, argues that European integration has reached a “natural plateau, at least for the foreseeable future,” (2012: 68) and that getting to an equilibrium (which the euro area has failed to do until the crisis) would be very difficult realistically as it requires the governments to give up the tools they have traditionally been using:

Faced with a debt or competitiveness crisis, a country would have to act directly to push down economic activity through wages, private consumption, business investment, and government spending. This is a risky

course for any government, because it imposes immediate and visible costs across the entire society.<sup>45</sup>

This expectancy on the peripheral countries does not fall in line with what Moravscik argues should be done to deal with the real problems of the European Union as he argues that the burden must be shifted from the deficit countries to the surplus countries and from public sectors to the private sectors (Moravscik, 2012: 55).

The European Union has arguably struggled with the crisis even more than the United States, where it has originated. This has been due to several facts, one of which was that thanks to its multilayered decision-making system, it took longer for the European leaders to come up with a common policy and actually *respond* to the crisis. Another was the problems that had been brewing within the euro zone. Ash states that most of these had been foreseen by sceptics long before the 2008 had rolled in and lists the most important ones that contribute to the current crisis as:

how a common currency could work without a common treasury, how a one-size-fits-all interest rate could be right for such a diverse group of economies, and how the eurozone could cope with economic shocks that varied from region to region –what economists call “asymmetric shocks”<sup>46</sup>

Whilst Ash notes the several aspects of the crisis of the eurozone he has not foreseen (like how late it would come and at how big of a scale the downward spiralling of the financial markets would be), he hits a very important point: that the eurozone had had generated its own “asymmetric shocks” to an extent that none had predicted. As Germany and some other countries “maintained fiscal discipline and

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<sup>45</sup>Moravscik, 2012: 56

<sup>46</sup>Ash, 2012

moderate levels of debt, many of the peripheral countries went on the mother of all binges” however, “Germany had fared so well partly because the peripheral countries had fared so badly”. Ash, just like Moravscik, calls Germany “the China of Europe”; a big exporter who requires consumers to fuel its economic growth.

Even the fact that there are articles that speak of two Europes, of a core and a periphery, is proof that even with decades of treaties, policies and projects, there has been no “catching up”. The convergence of the European Union did not happen, and in reality there was little incentive for it to as the economic system is quite comfortable relying on this division. As Arno Tausch questions maybe it is high time Europe took into consideration the experiences of the Latin American countries and finally learnt “that dependence indeed has a critical impact on the overall long-term development trends of a nation and that it tends towards the polarisation of social relations, which we now witness all over Europe” (2010: 467). Tausch finds this lesson valuable not only for Europe, but for the entire global “North”, which is most severely affected by the 2008 crisis, and argues that a “fundamental break away from the existing dominant thinking” and towards a dependency perspective is needed.

#### **4.2.1. THE EASTERN EUROPE**

As has been underlined in the previous part, following the aftermath of the 2008 Crisis, the European Union appeared to be much less unified than had been previously asserted. The position the post-socialist countries of Eastern Europe who had been thrown into capitalism and the conditions of the Union face-first following the collapse of the Soviet Union has been the topic of much debate. As the area showed growth in its first decade, the neoliberal approach and the policies implemented through it seemed to gain assurance and it was believed that after the transition period to a market economy was over and the area was fully integrated to the world economy, they would be part of the developed countries.

Arjan Vliegenthart notes in his 2010 dated article that while the significance of foreign capital in the advancement of the region was highlighted, the fact that this had political repercussions in the shape of important decisions on the economic development of the region not being made within the region anymore were overlooked (2010: 248). Vliegenthart argues that while the region had in fact showed growth thanks to the inflow of capital, this does not contradict its placement as part of the semi-periphery and has been for more than a few centuries. Vliegenthart asserts that region has been dependent on foreign investment since the start of its industrialization in the nineteenth century:

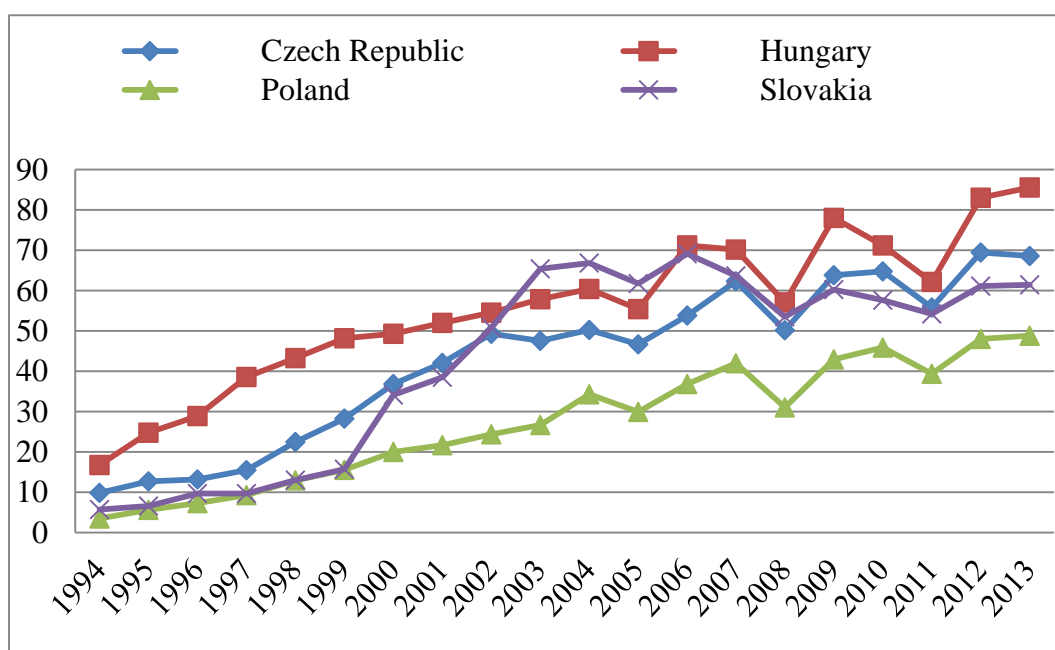
From this time onwards, crucial economic sectors have been dominated and controlled by foreign capital and, more specifically, foreign banks. Foreign capital has played a decisive role in building a modern infrastructure and banking system as well as major elements of economic modernization. Thus, at the end of the 19<sup>th</sup> century more than 50 per cent of all banks and government debts in Hungary were in foreign hands (Berend and Ranki 1974, 101-102), a tendency that was disrupted during the communist period only to reappear in greater scale after the demise of state socialism.<sup>47</sup>

During the socialist period the region became increasingly dependent on capital from the West while it was geopolitically a subordinate of the USSR, finding itself in a situation of “dual dependency”, as Vliegenthart cites Böröcz.

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<sup>47</sup>Vliengenthart, 2010: 249

As can be seen from Figure 4-4, foreign direct investment has been pouring into the region after the mid-1990s, once the initial hesitation following the collapse of USSR had subdued. Outside of 2008 and 2011, both of which were crisis years for the western countries as well, it has been increasing rapidly, reaching 50% even for Poland which has the lowest percentage of FDI stock measured as a percentage of GDP amongst Visegrad group<sup>48</sup>.



Source: UNCTAD

**Figure 4-4:** FDI stock as measured as a percentage of GDP, 1994-2013

However, even more important is where these investments have flown into. According to Andreas Nölke and Arjan Vliegenthart’s 2009 article they have mostly gone to, and have become high enough percentages of to be influential in, automotive,

<sup>48</sup>Visegrad Group are Czech and Slovak Republic, Hungary and Poland. Four countries that according to Vliegenthart have ended their “transition” and became fully integrated into the world economy “albeit in a subordinate position” (Vliegenthart, 2010: 244).



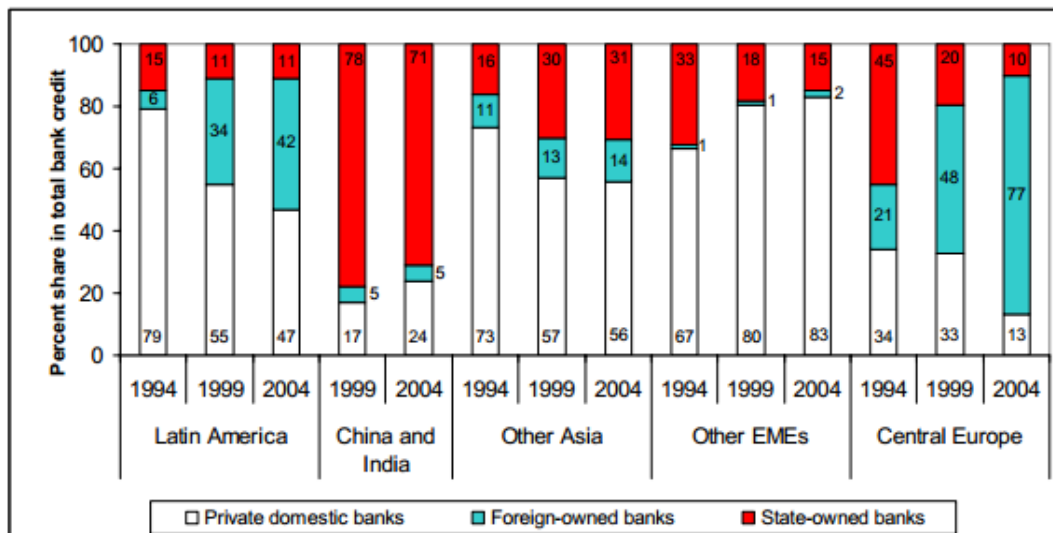
manufacturing and electronics –“sectors that are oriented towards the production of durable consumer goods for Western European markets” (Vliegenthart, 2010: 250). This arrangement limits the gains for the semi-peripheral country which focuses on the production of the goods and gives the most gains to the core country, where more profitable steps, such as marketing, of the business cycle take place. Even more significant is the involvement of FDI in the banking sector, which in the Central Europe “are the primary allocators of investments and therefore have strong influence on the kind of economic activities that are promoted” (Vliegenthart, 2010: 251). As can be seen from Figure 4-5 foreign ownership in the area is higher than most anywhere, even though there are state-owned banks still. Dubravko Mihaljek notes in his 2006 dated article “Privatisation, Consolidation and the Increased Role of Foreign Banks” that privatisation is almost complete in this area, while also becoming increasingly dominant in most other emerging market areas except for China and India.

As can be seen from Table 4-2, Nölke and Vliegenthart classify the Visegrad group countries as “dependent market economies” in their 2009 dated work, while they label UK and the US as “liberal market economies” and countries such as Germany and Austria as “coordinated market economies”:

DMEs have comparative advantages in the assembly and production of relatively complex and durable consumer goods. These comparative advantages are based on institutional complementarities between skilled, but cheap, labor; the transfer of technological innovations within transnational enterprises; and the provision of capital via foreign direct investment (FDI).<sup>49</sup>

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<sup>49</sup>Nölke&Vliegenthart, 2009: 672



Source: Mihaljek, 2006: 42

**Figure 4-5:** Commercial Banks by type of ownership for different regions, share in total bank credit in per cent

Nölke and Vliegthart argue that while other countries are also embedded in the global economy and therefore are affected by the other actors in the system, DMEs are more dependent on the decisions of the transnational corporations as they are the primary source for the investments in these countries. Vliegthart notes in 2010 that while these countries have reached a “rather fragile equilibrium that allows for a distinct kind of economic development”, this kind of economic development is “intrinsically rooted within an international division of labour” and thus rests not only on the developments within the region but under a heavy influence of what goes on at the international level (2010: 252).

With the key sectors of the countries’ economies structurally reliant on foreign capital, it is not hard to see how they are classified as being dependent countries by Nölke and Vliegthart in accordance with their criteria presented in Table 4-2. They may have experienced growth in the 1990s, but most of this was generated by pouring investments, especially from the European Union in exchange for their institutions and economic structure becoming better integrated into the

market, and this meant repercussions for the area in case of a decline in these flows. A more popular and more severe case has been seen in Greece which will be discussed in the next part.

**Table 4-2:** Three varieties of capitalism, according to Nölke and Vliegenthart

<b>Institution</b>	<b>Liberal Market Economies (LME)</b>	<b>Coordinated Market Economies (CME)</b>	<b>Dependent Market Economies (DME)</b>
<b>Distinctive coordination mechanism</b>	Competitive markets and formal contracts	Inter-firm networks and associations	Dependence on intra-firm hierarchies within transnational enterprises
<b>Primary means of raising investments</b>	Domestic and international capital markets	Domestic bank lending and internally generated funds	Foreign direct investments and foreign-owned banks
<b>Corporate governance</b>	Outsider control: dispersed shareholders	Insider control: concentrated shareholders	Control by headquarters of transnational enterprises
<b>Industrial relations</b>	Pluralist, market-based, almost no collective agreements	Corporatist, rather consensual, sector-wide or even national agreements	Appeasement of skilled labor, company level collective agreements
<b>Education and training system</b>	General skills, high research and development expenditures	Company –or industry-specific skills, vocational training	Limited expenditures for further qualification
<b>Transfer of innovations</b>	Based on markets and formal contracts	Important role of joint ventures and business associations	Intra-firm transfer within transnational enterprise
<b>Comparative advantages</b>	Radical innovation in technology and service sectors	Incremental innovation of capital goods	Assembly platforms for semi-standardized industrial goods

*Source: Nölke&Vliegenthart, 2009: 680*

#### 4.2.2. GREECE

The situation of Greece and other Southern European countries has been a hot topic since the initial crisis. Plight of these countries naturally was not limited to the economic domain but increasingly being perceived as a humanitarian crisis that is having severe implications for vast sections of the societies. One the effects of the crisis was a sudden stop international capital inflows (Figure 4-6) which aggravated not only the economic but also the political conditions in countries such as Greece, Italy, Spain and Portugal, as well as Ireland. They have all witnessed change of their democratically elected governments as the region as a whole went into period of political crisis:

In Spain the government called for snap elections, in which the governing party suffered a large defeat. Governments resigned in Ireland and Portugal and soon after new elections were held. In Greece and Italy, Loucas Papademos and Mario Monti, two non-elected professionals, were appointed as caretaker Prime Ministers after Georgios Papandreu and Silvio Berlusconi decided to step down. Provisional coalition/unity-government were formed under their supervision. New elections then followed both in Greece (May and June 2012) and Italy (February 2013), that resulted in governments supported by the same centre-left – centre-right grand coalitions that provided the parliamentary majority to their “technocratic” predecessors.<sup>50</sup>

It cannot be said that this era has ended, either. The election of the left-wing Syriza (The Coalition of the Radical Left) government in Greece in early 2015 has sent shock waves throughout Europe and made the developments and hence the future of the country a closely followed topic of in the world at large. While it is still early to come to decisive conclusion about what this government can achieve, and the fact that such a government came to power development certainly helped the spirits of the leftists all around the world. As the heated negotiations with the IMF and the

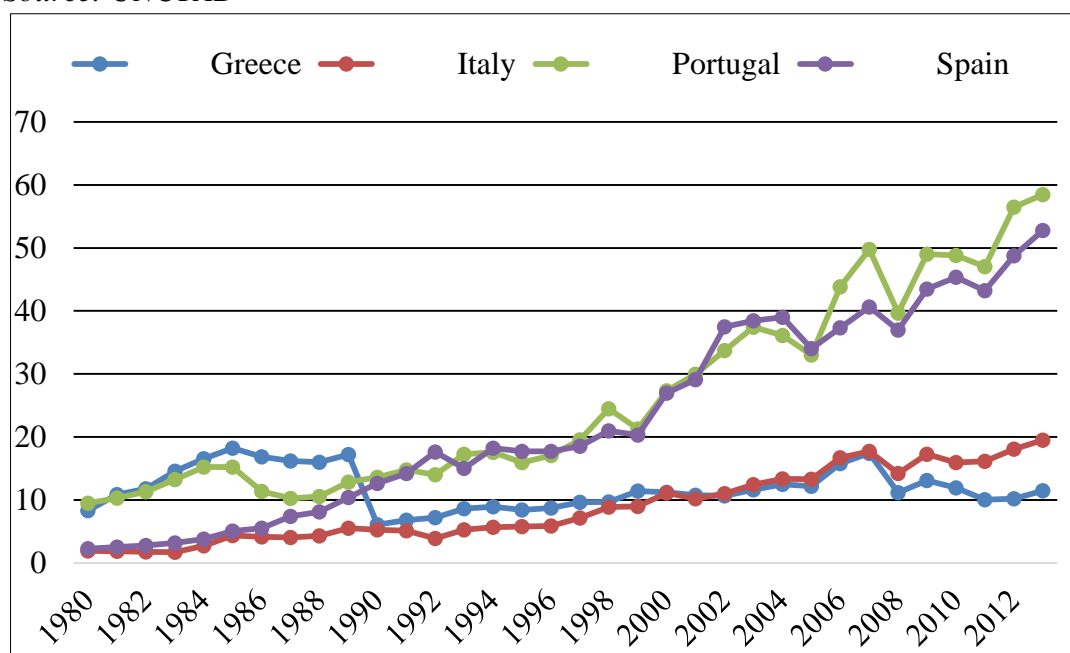
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<sup>50</sup> Borreca, 2014: 3

European Union continue it is yet to be seen whether they can satisfy the conditions set forward by Syriza on the basis of its promises before the elections.

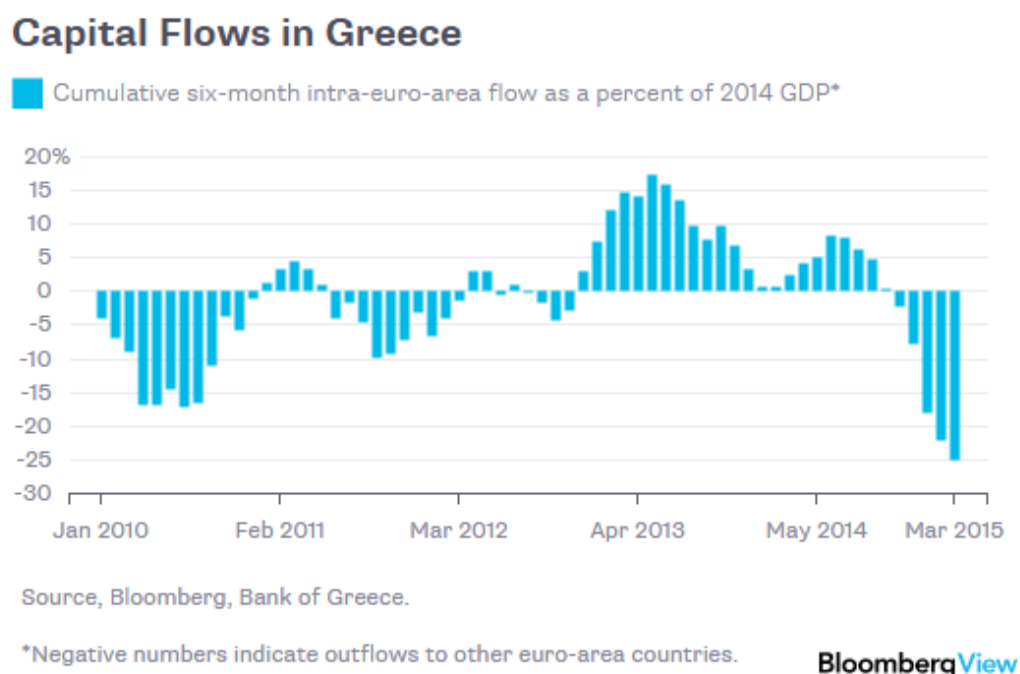
In the wake of Greek elections, on January 29<sup>th</sup> Aristides N. Hatzis stated that “institutional flaws” in the Greek economy needed to be addressed, and the economy needed to open up, rid itself of cartels and administrative costs of investments that made entry for newcomers hard, modernize its welfare system and generally make structural reforms that would bring it closer to a neoliberal ideal. While there are certain aspects of the ongoing Greek Crisis that stem from the structure of the Greek economy, it should be remembered that it already has been shaped by these institutions into this shape for more than three decades. The dependence the European integration policies created in Greece and other dependent economies should not be brushed off.

*Source: UNCTAD*



**Figure 4-6:** FDI stock as measured as a percentage of GDP, 1980-2013

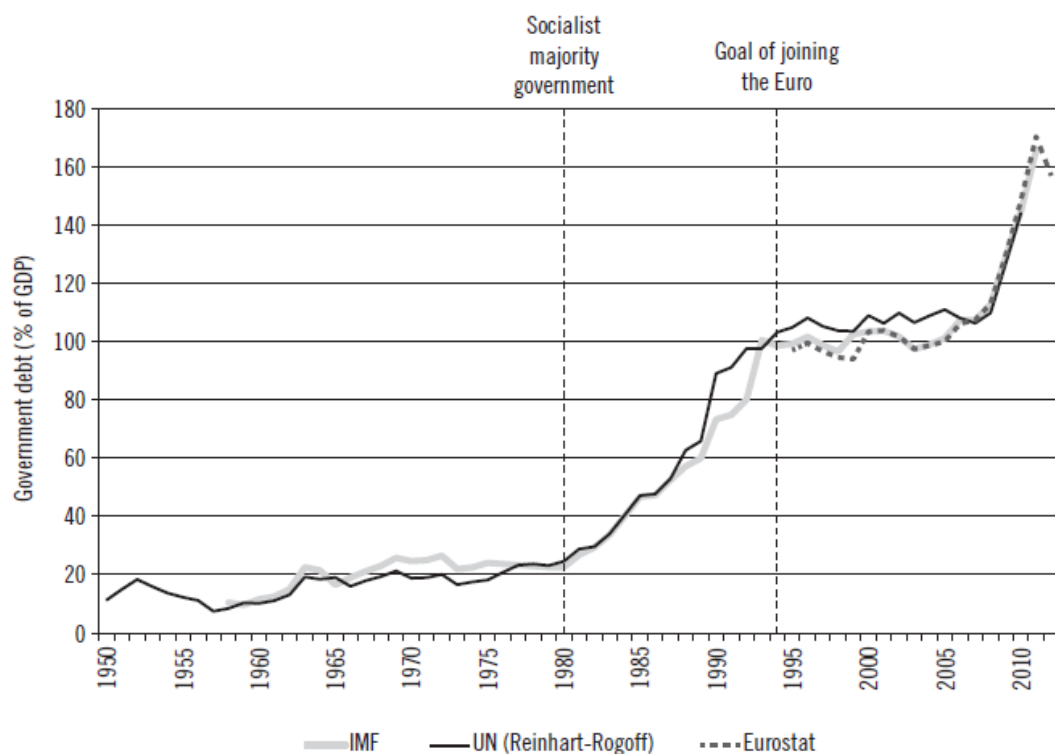
Figure 4-6 shows the foreign direct investment stock as measured as a percentage of GDP for Greece, Italy, Portugal and Spain and while these figures are not as high as those of the Eastern European countries, the outflow still affected these economies negatively. This can also be accounted for the fluctuations these economies have experienced. Figure 4-7 shows the capital flow in Greece between January 2010 and March 2015 and as can be seen the economy is yet to achieve stability. Mark Whitehouse notes that the capital flight had reached unprecedented levels as over six month till March 2015, 62 billion euros had left the country.



Source: Whitehouse, 2015

**Figure 4-7:** Capital Flows in Greece, January 2010-March 2015

Further aggravating the instability is, of course, the debt crisis Greece found itself in. Figure 4-8 shows the change in debt as a percentage of its GDP.



Source: IMF, UN/Reinhart and Rogoff (2011), Eurostat

Source: Hatzigeorgiou, 2014

**Figure 4-8:** Greece's Public Debt as percentage of GDP, 1950-2011

In his 2014 dated article Andreas Hatzigeorgiou accounts the increase in Greece's debt started in 1981, when a socialist majority government (PASOK) was elected and an economic program which aimed to increase the standard of living and the household's ability to consume was implemented, and allowed the government to borrow large sums of money which they would then channel to the households. The high levels of debt had already been achieved by mid-1990s and hence Hatzigeorgiou concludes Greece's tendencies for huge debt preceded its integration to the Eurozone.

PASOK's objective, according to Gerassimos Moschonas was to expand demand and implement "a policy of redistribution" (2013: 33). Moschonas underlines that prior to this shift with PASOK government, Greece did not have a debt problem; and the situation was only worsened by the low levels of tax receipts in Greece.

It should be underlined that being in the Eurozone means moving the country's monetary policy decisions to bureaucrats whose priority is Europe, rather than Greeks, and the possibility of "Grexit" (Greece's exit from the Eurozone) has not been removed from the table. While euro may not be the only problem for Greece, it certainly appears to be one.

As have been stated, the Syriza government so far have been unable to withstand the pressures of the European institutions and after heated negotiations appears to have been unable to achieve their objectives in the face of the IMF and the European Union. It is yet to be seen whether they will bow down under such pressure. On March 2<sup>nd</sup>, 2015 Costas Lavapistas boldly wrote that "To Beat Austerity, Greece Must Break Free From the Euro" and stated that these sacrifices only allowed the Greek government to live for another day. Certainly there are clear indicators of Greek economy's dependence on capital inflows with severe political implications such as "the reliance of Greek banks on the European Central Bank for liquidity" and "the Greek state's need for finance to service debts and pay wages". Whether or not they will agree to the conditions presented to them by the European Commission, the European Central Bank and the IMF, it is clear that as long as Greece's dependence on the funds from European Union continues they will be hindered from making immediate changes that they deem necessary for bringing the humanitarian crisis to an end.



## **CHAPTER 5**

### **IN PLACE OF A CONCLUSION**

Capitalism is a world economic system that thrives on expansion and survives through crises. As it is filled with business cycles of boom and bust in the short run, it is characterized by the expansion and globalization of a hegemonic power followed by a crisis and its demise in the long run.

The 2008 Crisis has been one with serious effects that brought about the inner conflicts of the dominant ideology. It has been at large the crisis of the system, and has had effects on the entire global world economy, but whilst having born from the developed core countries and spreading through them like wildfire, has demonstrated the ugly faces of this interlinked globalization may have on the developing world; the dependence the semi-peripheral countries have on the core ones have left them vulnerable to the fluctuations these economies experience.

In this thesis it has been argued that while concepts such as dependency and semi-periphery have been shelved in the last three decades with the spread and domination of neoliberal policies, they still hold merit in shedding light on the scenery of the world economy and the position the countries that have been labelled as “developing” and their economies as “emerging” throughout this period. The growth and development these countries have experienced have been within the borders that those who direct the game have allowed them to; on their conditions and usually on their resources.

The introductory chapter was devoted to painting a picture of the world economy in the aftermath of the crisis. It has been mentioned that while it was assumed there would be a shift in the neoliberal policies that were implemented, this

hasn't been realized on a large scale. Apart from initial policies to salvage the immediate economic situation, things barrelled forward with businesses continuing as usual, as they had prior to the crisis. The rise of the BRICS countries is dismissed as not likely to have a long term effect on the global level as they do not have the neoliberal institutions. Meanwhile, it has become apparent that even with decades of conscious effort to become unified, there are still large disparities between the countries of Europe.

The second chapter revisited the literature on underdevelopment, Dependency Theory and the world-system analysis and made special mention of the concept of semi-periphery. These concepts had been discussed vigorously in the 1960s, especially in regards to the experiences of the Latin American countries. However, it had been admitted even by the scholars working under the scope of the theory that there was not entirely a uniformity amongst them. In spite of this, the theory that countries that are later incorporations to the system are dependent on the interests of the core ones holds merit.

The third chapter presented a discussion on capitalist expansion, to showcase some influential theories that provide insight to the inner workings of the system. It was argued that by its nature capitalism is a system that constantly runs into crises and overcomes them through spatial and temporal fixes and hence needs to expand, across the globe and time, to survive. It was argued that when expansion happens the capital carves its place through the expansion of the structured coherence and by articulating with the mode of production and the regime of accumulation of the area. It is possible to deduce from how it expands that capitalism generates inequalities, and the dependence the areas experience on the system is an inherent and necessary part of it and not a failure on the part of these areas.

This last part ties in with the discussion in the fourth chapter. The fact that some late incorporations to the capitalist system showed development was a reason for the general shelving of the dependency approach from the mainstream discussion. Since the development of certain late integrations into the capitalist system, mostly

in East Asian countries, had been used in comparison to the Latin American experience in the 1990s the chapter opened with a recount of how and why the development experiences may differ in capitalism. It was argued that the autonomy of the capitalist state of the area plays a huge role on the state's ability to influence the capital's coming. China, for example, as an area that has been late in catching up with the appropriate institutions prescribed by the West, has managed to reclaim the influence it held on the world economy before capitalism and become a contender for the next hegemonic rule through its state's autonomy and intervention. As the case of Europe also shows, the existence of development does not mean the absence of dependency. While the historical class formations and their impacts on the capabilities of the state influence the experience of the country in capitalism, and may result in development, this is a dependent development, reliant on the system.

Later in the chapter, Eastern European countries were presented as examples of dependent semi-peripheral areas, in spite of their much celebrated recent growth. The post-socialist countries of Eastern Europe have been praised as becoming part of the European Union, and hence the bright core countries, but have been revealed to have achieved these growth trends mainly by the foreign direct investments flowing into the region's key sectors. The situation in Greece was recounted as the country continues to go through economic and political turmoil and tries to navigate the demands of the European institutions.

## **5.1. FOR FURTHER DISCUSSION: TURKEY**

By way of conclusion this thesis feels the need to bring up the case of Turkey. As a country which has been trying to become a part of the European Union for decades and one that spent those decades being integrated into the world economy, Turkey poses an interesting example as a dependent economy.

Turkey has been applauded for its application of the neoliberal policies since the 1980s – for which it was rewarded with more than a decade of crises, growth and development in the 2000s- which was mainly directed by the application of the institutional network advised by the IMF and World Bank and the European Union. Turkey’s experience with IMF, intensified as it has been in the 1980s and beyond, has been quite controversial in its results and exemplary of the introduction and imposition of structured coherence as capitalism moves into a new era. According to Ziya Öniş and Steven B. Webb, “[t]he IMF and the World Bank influenced both the long-term evolution of economic philosophy in Turkey and the short-term determination of policies,” and their effect was not limited to what was put on paper in the agreements: “The staff of the Bank and Fund developed close working relationships with many staff in the central bank, the state planning organization, and treasury, which led to agreement on the diagnosis and prescriptions for Turkey’s economic problems,” (Öniş and Webb, 1992: 26).

Under the leadership of Turgut Özal, who himself had worked for the World Bank between 1971-1973, several technocrats, dubbed “Özal’s Princes” were brought to decision-making positions. As per the advocates of neoliberal ideology stated that the state intervention to the market needed to be at bare minimum and the political influence erased as much as possibly since that tended to end in crises. It was time professionals took care of the economy.

Not only were the technocrats whose thinking were in line with that of the neoliberal agenda were appointed to important positions, but through a restructuring of the state organizations, several key agencies were also tied to the prime minister’s office. The office was transformed into a large and powerful ministry on its own rather than a coordinating ministry – an indication of a clear increase in the power of the executive body. Amongst such agencies was the Directorate of Incentives and Implementation, which was previously under the Ministry of Industry and Technology; which came under the prime minister and so went the distribution of subsidies into hands of a few choice technocrats. The independence of certain

institutions was also underlined: the Capital Market Board founded through the Capital Market Law in 1981 worked with the aim of maintaining an open and trustworthy capital market; however it was argued that its political tie to the Ministry of Finance, along with insider information some individuals gathered, kept it from achieving its goals.

Thereupon the situation was thus: the people who held the power of decision making in the Turkish government were those who shared the ideologies of the IMF and the World Bank and wanted to implement them. A clear introduction of the structured coherence in the form of making men and women who thought the right way, that is in a way that would befit the mode of production and foster the accumulation of capital, was achieved within the state and they had the power to introduce it to the rest of the country. Adam Przeworski and James Raymond Vreeland argue that even while it is usually assumed that a country will avoid seeking IMF's aid if it can help it since the conditions can be viewed as penalty, there is a possibility that governments may sign up an agreement primarily to have the conditions implemented, rather than being in dire need of a loan. While the average reserves – “the average annual foreign reserves in terms of monthly imports,” (Przeworski & Vreeland, 2000: 391)- for countries that typically enter an IMF agreement is 2.54 times monthly imports, Turkey signed one “in 1968 when the reserves were averaging 9.7 times monthly imports (...) in 1969 when reserves were 11.7 times monthly imports” (Przeworski & Vreeland, 2000: 392). It cannot be denied that the Turkish economy had been affected severely from the Oil Crises of the late 1970s and there were shortages on essential goods such as oil and coal that propelled the government towards foreign aid; however it cannot also be denied that the aid that came brought with it not growth, stabilization or solutions to the economic imbalances but the new structured coherence.

Selime Güzelsarı, in her 2007 dated doctorate thesis states that with the structural adjustment programs credited by the IMF, the government started to withdraw from the manufacturing industry and invest more into infrastructure.

Furthermore, the tax burden on the industry was lowered and so the direct and indirect subvention was increased; this resulted in a series of problems on the financing of public spending which eroded the social spending and put on a serious pressure for the privatisation of the public services (Güzelsarı, 2007: 68). Though there were certainly processes under works to prepare the grounds for them in the 1980s, most privatisations did not happen until later, in 2000s, until then they were pushed forward in every new IMF structural adjustment agreement. In 1989 when the capital markets in Turkey were liberalized with decree no. 32 –owing much to the work of the then Governor of Central Bank Rüşdü Saraçoğlu, one of Özal’s Princes who had previously worked in the IMF, who stated that he would make Turkey “a heaven of hot money”- the result was a financial crisis, and the loss of the policy makers ability to use monetary instruments.

Another institution that has shaped Turkey’s change is of course the European Union and the criteria it conditions for membership. The European Commission lists the key requirements for accession as “stable institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; a functioning market economy and the capacity to cope with competition and market forces in the EU; the ability to take on and implement effectively the obligations of membership, including adherence to the aims of political, economic and monetary union,”<sup>51</sup> as they were defined in Copenhagen Council in 1993.

Mine Eder argues that initially the European project has been largely Keynesian, as was the dominant ideology during its time of initiation: “emphasizing regional and social integration, accepting the state’s role in the economy as an integral part of market correction and using fiscal tools to address employment problems as well as social and regional discrepancies,” (2010: 232) were the policies of the Union. However, by the early 1990s the EU also became more focused on its position in the global economy. Of importance was the single internal market that would give

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<sup>51</sup>Source: [http://ec.europa.eu/enlargement/policy/conditions-membership/index\\_en.htm](http://ec.europa.eu/enlargement/policy/conditions-membership/index_en.htm)

Europe the edge it needed to regain its “perceived loss of competitiveness in comparison to Japan and the United States in the mid-1980s” and “[t]his new concern for competitiveness and the consequent neoliberal restructuring ignored the social harmonization with common and high health standards, labor conditions (such as the Social Protocol, Charter of Basic Social Rights for workers, etc.) that, to a large extent, had long been a part of the European project,” (Eder, 2010: 233). At its heart, European integration became increasingly neoliberal and promoted privatisation, trade liberalisation and a smaller state and this fact was cemented with the Maastricht Treaty and the introduction of the euro and the European Monetary Union (EMU): “While, externally, the EMU was designed to give the euro a chance in global currency competition, internally it aimed at cementing the political actors to orthodox monetarist/fiscal policies,” (Eder, 2010: 233). The shift can be seen in the 35 Chapters of the *acquis*; first four of which are “free movement of goods”, “freedom of movement for workers”, “right of establishment and freedom to provide services” and “free movement of capital”<sup>52</sup>. While Turkey is yet to meet all of the criteria, it has certainly made an effort to become more in line with the European Union’s conditions and came to be generally aligned with most of them. As have been previously stated, 2000s saw quite a many privatisations for example.

Aside from the influence of the IMF and the European Union on the recent structural shifts of its economy, Turkey’s position within the global world economy has been a topic of debate through the years. The land that was the Ottoman Empire had been incorporated into the capitalist economy in an unequal way, some parts forming port cities as semi-peripheral regions and some parts becoming peripheral. By the time First World War ended the Empire was definitely a subordinate to the warring states of Europe with its railways and main trade routes relying on various differing countries. Turkey in its first years was reliant more on government planning and was focused on restructuring economy according to the capitalist imperative, building the infrastructure, placing the proper property laws and providing state

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<sup>52</sup>Source: [http://ec.europa.eu/enlargement/policy/conditions-membership/chapters-of-the-acquis/index\\_en.htm](http://ec.europa.eu/enlargement/policy/conditions-membership/chapters-of-the-acquis/index_en.htm)

support for the emerging capitalist class, class but became more and more involved and pliant with the global governance and global economy after the end of the Second World War. The military coup of 1980 marked the start of Turkey's neoliberal restructuring and the abandonment of the previous import-substituting industrialization model (which had been advocated by Raul Prebisch, the Director of ECLA who helped develop the Dependency Theory in the 1950s, as a way of getting poor countries out of the loop of only providing primary commodities to the world market and then buying back manufactured goods and thus not benefiting from the growth in the world economy) for the export led growth. The country started a process of a reproduction of its institutions that would lead to a better fit with the new regime of accumulation in the world economy and the neoliberal ideology, which, after the decade of 1990s which was filled with crises, has accelerated in the 2000s.

During the 1980s, both the military government and the following Motherland Party government “adopted a series of strategies to curb the institutional rigidities that had supported the previous period, which had been characterised by centrally coordinated ISI ... concentrated power in the hands of a few technocratic councils” while giving new functions to existing institutions or delegating the powers of existing institutions to new agencies (Sönmez, 2011: 107). Instead of head on disposing of the institutional structures of then, this resulted with Özal having created a “dual bureaucracy”, with old organizations moving forward with their conventional routines while the new agencies put market-oriented principles to use, according to Sönmez.

The first change was the authorization of previously consultative agencies, the Coordination Board and the Money and Credit Board, in making key decisions in trade quotas and import and export regimes in 1980. In 1981 Higher Coordination Board of Economic Affairs (HCBEA) was established with the responsibility of making decisions on economic issues when they concerned more than one ministry and in 1983, was further given the role of making decisions related to state economic enterprises. The Undersecretariat of Treasury and Foreign Trade, which became the



first point of contact for the architects of the neoliberal policies such as the IMF and the World Bank as it was set above ministries and the Council of Ministers, was also established in the 1980s and made key decisions in economic and financial policy (Sönmez, 2011). Even with these new institutions though, a lot of decisions still relied on parliamentary approval; and to avoid contradiction Özal made use of decrees having the force of law (DFLs); single-purpose agencies were established for more specialised reform areas and the decision making processes for key economic areas were centralized to agencies, presidency or the prime minister.

Turkey's neoliberal turn continued through the crisis ridden decade of 1990s and accelerated in the 2000s with the government's efforts to become in line with the conditionalities of the European Union and the severe privatizations of the previously state owned institutions. There was a stable growth after the decades of turmoil and this attracted an inflow of FDI, reaching its peak at around 2006. However, this inflow was also the source of the imbalances of the economy, as Ziya Öniş and Fikret Şenses state in 2009. They state that this growth was supported by "an unusual combination of favorable circumstances" in that the boom period of the global economy was aiding the emerging markets in experiencing their own boom and the increase in the global liquidity meant that the low domestic savings of Turkey and the large current account deficits could be ignored under the bright performance of the economy (Öniş & Şenses, 2009: 6).

The FDI stock inflow as a percentage of GDP is not as high as the Eastern European countries in Turkey. However, the level of FDI is still quite high as about 25% of the GDP and it was on a trend of getting higher prior to the crisis in 2008 and it had doubled from a 10% at the beginning of the 2000s in the 3 years after 2004. The flows of capital into many developing countries had increased during 2000s. In 2009 Mehmet Yörükoğlu and Ali Çufadar state that while the total net FDI between 1984 and 2001 was USD 10.6 billion it increased to USD 52.2 billion between 2001 and 2007. Furthermore, they show that the flows have been mostly focused on the banking sector.

While Turkey had been stated to have not been affected by the 2008 crisis, or at least not to the extent that other Southern European countries that have been affected as it has been discussed, the crisis had severe implications for the Turkish economy and society as reflected by the rising unemployment and declining growth rates. As the prospects of reviving economic growth are closely related with the trajectories of capital movements, this underlines the dependent nature of the Turkish economy on the factors which are not within the dominion of their own state.

Dependency Theory had many contradicting views within itself and with the acceptance of the success of the neoliberal ideology in the mainstream discussion, it can be somewhat understandable why it has been mainly ignored for the past several decades. However, it offers many useful tools in inspecting the problems of the capitalist system which have become apparent during its recent crisis. The lack of uniformity amongst the cases is difficult to deal with and this has been pointed out and the classification of semi-peripheral countries have always been a big part of the discussion. Nevertheless, looking at these countries with the ideas on how expanding capitalism forms differentiating bonds with new areas, depending on their prior political and economic structures, during the process of getting the better of them, proves helpful. There is more that can be done within the theory but it should not be forgotten that while it may be an “interdependent” world, some are clearly more dependent than others.

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## APPENDICES

### APPENDIX A: TURKISH SUMMARY

2008 yılında kapitalist dünya ekonomisini sarsan kriz, 1990lı yıllar boyunca alışlagelmiş olanlardan özellikle bir yönüyle farklıydı; krizin merkezi “gelişmekte olan” değil, “gelişmiş” ülkeler idi. Büyüklüğü ve etki alanıyla 1929’daki Büyük Buhran ile karşılaştırılan ve “Büyük Durgunluk” olarak adlandırılan bu kriz, Amerika Birleşik Devletleri’nde ortaya çıkmış ve Avrupa Birliği’ni derinden etkilemiştir. Özellikle 1990lı yıllar boyunca Türkiye, Meksika ve Asya Kaplanları gibi “gelişmekte olan” ülkelerde sürekli tekrar eden krizler, bu ülkelerin IMF ve Dünya Bankası gibi kurumların önderliğinde geliştirilmiş olan neoliberal politikaları tam uygulayamamalarına bağlanmıştı. Ancak Büyük Durgunluk ile birlikte krizin sadece önerilen modelin doğru uygulanmamasından kaynaklanacağı görüşü ortadan kalkmıştır.

Bu derece etkin bir krizden sonra, daha önce Büyük Buhran’ın ardından Keynesçi politikalara ve Petrol Fiyatları Krizi’yle Bretton-Woods sisteminin çökmesi sonucu da neoliberal politikalara geçişte olduğu gibi, uygulanan ekonomi politikalarında yapısal bir değişiklik olması beklenmiştir. Fakat krizin başlangıcının üzerinden yıllar geçmesine ve gerçek anlamda bir çözüm üretilmemiş olmasına rağmen, böyle bir değişiklik olmamıştır. Arno Tausch’a göre, Avrupa Komisyonu İş Programı 2011 bile ekonominin “aynı tas aynı hamam” devam edemeyeceğini belirterek başlamasına rağmen sonunda, serbest piyasa ve açık toplum inançlarını tekrarlayarak bitirilmiş, ticaret ve sermaye yolları için uluslararası bariyerlerin azaltılması gerekliliği vurgulanmıştır. Uygulanan politikalar neoliberal anlayış çerçevesinde ilerlemekte, kriz sonrası yaşanan toparlanmalardan aslan payını yüksek gelirlieler almakta ve eşitsizlikler daha da derinleşmektedir. Brezilya, Rusya, Hindistan, Çin ve Güney Afrika’dan oluşan BRICS grubunun gelişimlerine dair

yazılan raporlar dahi, Batılı kurumlar tarafından bu ülkelerin gerekli neoliberal kurumlara sahip olmaması çerçevesinde eleştirilmektedir.

Ngair Woods’a göre, IMF kriz sonrası dünya ekonomi sahnesinin ortasına getirilmiştir, ancak yapılan çalışmalar yönetimde gerçek bir değişimle sonuçlanmamıştır. IMF’nin küresel dengesizlikleri göz önünde bulundurarak, dünya ekonomisini düzenleyecek yeni çok uluslu kurallar getirerek gelişmekte olan ülkelerle ilişkilerinde bir farklılık yaratması söz konusu olmamıştır. G20 gibi oluşumlar ile daha fazla ülkenin dünya ekonomik yönetimine katılacağı düşünülmüştür. Ancak bu konuda yeterli gelişme sağlanamamış ve gelişmekte olan ülkeler bölgesel çözümlere yönelmiştir.

2008 sonrası dünya eski baş aktörleri arasında denge kurmaya çalışıp, dünya ekonomisinin bundan sonra izleyeceği yol ile ilgili olarak diğerlerinin, olursa, ne kadar söz sahibi olacaklarını tartışadururken; önümüzdeki tablo, kimlerin gelişmiş olduğunun tekrar düşünülmesi gerektiğini ortaya koymaktadır. Dahası “gelişmekte olan” olarak tanımlanan bazı ülkelerin de gerçekten gelişmekte olup olmadıklarının, bu ülkelerden sanki kendilerini daha yüksek standartlara ulaştıracak bir süreçlermiş gibi bahsetmenin doğru olup olmadığının masaya yatırılması gerekliliği de su yüzüne çıkmıştır.

Giderek küreselleşen bir dünyada, hepimiz dünyanın bir başka ucunda verilen kararlardan etkilenmekteyiz. Dahası, güç dinamiklerini değiştireceği söylenen bir krizden sonra bile, bu kararlarda bize söz verildiği kadar bir söz hakkımız yok ve “gelişmiş” olmak için kovaladığımız havuçlar hayali çıktı. Kendi analizlerini kapitalist sistemi incelemek adına en olası yöntem olarak ortaya koyan Bağımlılık Okulu çerçevesinde çalışmış olan bilim adamları, sistemin bugünü üzerine haklı çıkmanın gururunu yaşamaktadırlar.

Bu tezde, ana akım tartışmalardan uzun bir süredir uzak kalmış olan Bağımlılık Teorisi’nin dünya kapitalist sisteminin incelenmesinde değerli bir alternatif olduğu ileri sürülmüştür. 2008 Krizi sonrasında son birkaç on yılda

gösterdikleri gelişmelerle ünlenmiş “gelişmekte olan” ülkelerin bu gelişmelerinin sisteme son derece bağlı olduğu ortaya çıkmıştır. Özellikle Avrupa Birliği’nin içerisinde olduğu ve devam etmekte olan kriz sonucunda, üye devletlerin pek “birlik içerisinde” bir görüntü sergilemedikleri ortaya çıkmıştır. Bağımlılık Teorisi çerçevesinde, merkez ve çevre Avrupa ülkelerinden bahsetmenin mümkün olduğu görülmüştür. Tezin ilk bölümünde 2008 sonrası dünya ekonomisinin görüntüsü aktarılmıştır. İkinci bölümde, azgelişmişlik üzerine üretilen tartışmalardan bahsedildikten sonra, Bağımlılık Teorisi’nin tarihi ve gelişimi ayrıntılı olarak açıklanmıştır. Teorinin Marksist köklerine değinildikten sonra, Latin Amerika ülkeleri üzerine geliştirilen bağımlılık kavramından bahsedilmiş, Wallerstein’ın dünya ekonomisi ve yarı-çevre fikirleri aktarılmıştır. Üçüncü bölüm, kapitalist yayılma üzerine teorilerden bahsederken, bu özelliğin kapitalizmin özüne ait olduğuna değinilmiş ve bu yayılma ile nasıl bağımlılık yaratıldığından bahsedilmiştir. Bölüm dört, tezin alt başlığıyla aynı adı taşımaktadır ve Bağımlılık Teorisi’nin günümüz kapitalizmini anlamadaki etkinliğinden ve özellikle Avrupa’nın durumundan bahsetmektedir. Bu bağlamda, kapitalist sisteme geç eklemlenen ülkelerde ne şartlarda ve nasıl bir kalkınma olduğu tartışılmıştır. Kapitalist sistemde devletin kalkınmaya hangi şartlarda etki edebileceğine dair teoriler sunulmuş ve ardından Doğu Avrupa ve Yunanistan örnekleri ortaya konmuştur. Son bölüm, tezde savunulan fikirlerin analizi ve Türkiye’nin de bağımlı bir ekonomi örneği olarak tartışmaya açılmasına ayrılmıştır.

1960lı yıllarda azgelişmiş ülkelerin durumu literatürde kendine geniş bir yer bulmuştur. Öncelikle Modernleşme Teorisi çerçevesinde bu ülkelerin azgelişmişlikleri kapitalist düzene geçmekte geç kalmış olmalarına bağlanmış, zaman içerisinde bu ülkelerin diğerlerini yakalayacakları savunulmuştur. Modernleşme Teorisi’ne bir tepki olarak ortaya çıkan Bağımlılık Teorisi ise aksine, bu azgelişmişliğin kapitalist sistemin bir sonucu olduğunu iddia etmiştir. 1960lı ve 1970li yıllarda Bağımlılık Teorisi ana başlığı altında yapılan tartışmalar oldukça çetin olmuştur ve bu nedenle resmi bir teoriden bahsetmek bile bazen güçleşmiştir. Gabriel Palma’ya göre, bağımlılık tartışmalarında gelişen bu karışıklıkların bir nedeni,



teorinin Marksist köklerinin göz ardı edilmesinden kaynaklanmıştır. Her ne kadar, bağımlılık çatısı altında yapılan çalışmaların hepsi Marksist olmasa da, teorinin başlangıç noktası emperyalizm tartışmalarıdır.

Andre Gunder Frank, bu alanda en bilinen çalışmalardan birine imza atmış ve Latin Amerika ülkelerinin deneyimleri üzerinden, bu ülkelerdeki azgelişmişliğin sistemde varlığını sürdüren feodal yapıların değil, kapitalist sistemin kendi dinamiklerinin bir sonucu olduğunu savunmuştur. Frank'ın analizleri kapitalist gelişmeyi bir olasılık olarak görmezken, daha liberal bir bakış açısını benimseyen ve Raul Prebisch önderliğindeki Latin Amerika Ülkeleri Ekonomik Komisyonu tarafından öne sürülen çalışmalar da kapitalist gelişme önündeki engellere odaklanmıştır. Bu komisyonun anlayışına göre var olan uluslararası işbölümü çevre ülkelere rağmen merkez ülkelerin faydasına işlemektedir ve bunun önüne geçmek için ithal ikameci bir sanayileşme modelinin uygulanması gerekmektedir. Bağımlılık Teorileri içerisinde üçüncü bir bakış olarak Fernando Henrique Cardoso, kapitalist sistemi daha dinamik bir çerçevede değişen bir sistem olarak görmektedir. Cardoso'ya göre çevre ülkelerde kapitalist gelişme mümkündür, ancak bu gelişme merkez ülkelerin kapitalizminin hizmetinde olacaktır.

Vincent Ferraro'ya göre, pek çok keskin ayrı kalınan noktaya rağmen, bağımlılık teorisi başlığındaki çalışmalarda önemli ortak noktalar vardır. Bunlar şu şekilde sıralanabilir: uluslararası sistem iki farklı ülke grubundan oluşmaktadır (bunlar merkez/çevre, baskın/bağımlı gibi adlandırılabilir); dış aktörler, bağımlı devletlerin ekonomik aktivitelerinin üzerinde güçlü bir nüfuza sahiptir ve bağımlılık kapitalist genişleme sürecinin içine işlemiştir, etkileşimleri aracılığıyla iki zıt kutup arasındaki durum sürekli pekiştirilmekte ve ilişkilerinin eşitliksiz hali şiddetlenmektedir.

Immanuel Wallerstein'ın dünya sistemi analizi 1970lerde tartışmalara yeni bir boyut getirmiş ve analiz birimini bireysel ülkelerden sistemin kendisine çekmiştir. Cristóbal Kay, genel olarak bağımlılık teorisinin ve hatta emperyalizm üzerine geliştirilen teorilerin eleştirilen yanlarından birinin ya emperyalist ülkeler ya da

gelişmekte olan ülkelere odaklanarak tfeek taraflı bakış açıları geliştirmeleri olduğunu söylemektedir. Wallerstein'ın dünya sermaye birikimine odaklanması, büyük resmi görmede yardımcı olmuştur. David Lane'e göre bu akımda, dünya ekonomisi üç bölüme ayrıldığı görünmektedir: hegemonik merkez (baskın "Batılı" kapitalist ülkeler), çevre ve yarı-çevre (endüstriyel kapasitesi olan ancak merkezin bir parçası olmayan ülkeler). Wallerstein'ın analizinde önemli bir yeri olmasına rağmen yarı-çevre kavramının tam olarak açıklanmamış olması teörinin en çok tartışılan noktalarından biri haline gelmiştir. Konu üzerine çalışanlar hangi ülkelerin bu kategoride değerlendirileceği üzerine farklı görüşlere sahiplerdir. Arjan Vliegenthart, yarı-çevre olarak tanımlanacak ülkelerin kendi imalat endüstrilerine sahip olduklarını ve küresel meta zincirlerinde kendi pozisyonları olduğunu belirtmektedir. Yarı-çevre ucuz iş gücüyle merkezdeki ücretler üzerinde baskı kurmakta ve aynı zamanda yine merkezde kârlılığı azalmakta olan endüstriler için yeni alanlar sağlamaktadır. Bu bölgede ekonomik gelişme gerçekleşmektedir ancak, bu gelişme sıkı bir şekilde merkezdeki ülkelere gelen sermayeye bağılıdır ve bu anlamda söz konusu olan "bağımlı bir gelişme"dir.

Genişleme kapitalist sistemin öz karakter özelliklerinden biridir ve son yıllarda bu özellik "küreselleşme" adıyla önümüze çıkmıştır. Ortaya çıkışından beri kapitalist sistem, kriz ve küreselleşme dalgalarıyla ilerlemiştir. Li, Xiao ve Zhu'nun da belirttiği gibi kapitalizm kâr ve sermaye birikimine dayalı bir sistemdir. Basitleştirilmiş bir şekilde, bir kapitalist devre üretim sürecine yatırılan para ve mallarla başlar. Süreç sonucunda elde edilen ürün ya satılacak ya da bir faiz getirecektir. Sonunda elde edilen parasal değerin başta yatırılandan daha fazla olması gerekmektedir; sistemin yayılmasını ve devamlılığını sağlamak için kâr elde etmek mecburidir. Ancak burada sistemin iç dinamiklerindeki sorun açığa çıkmaktadır: kâr elde edecek olan kapitalistler bu karı tüketicilere yaptıkları satışlar üzerinden elde edeceklerdir ve –basitleştirilmiş olarak baktığımızdan- bu tüketiciler aynı zamanda onların iş gücüdür. Bu durumda tüketicilerin, malları almalarını sağlayacakları para ücretlerinden gelmektedir. Bu ücretler, kapitalist devrenin başında yapılan yatırımların, yani devre sonunda elde edilecek arın en yüksek düzeyde olabilmesi için

düşük tutulmaya çalışılan maliyetin, bir parçasıdır. Bu ikilemin bir sonucu olarak bir noktada, malların toplam arzı sistem içerisindeki parasal olarak efektif talebi aşar ve tüm sistem sarsılmaya başlar. Üretilmiş malların satın alınması ve sistemin devamlılığı için talebin artabilmesi adına kredi verilir. Ancak bu krediler faizle verilecektir. Geri ödenebilmeleri yine döngünün sonunda elde edilecek kara bağlıdır. Sistem daha da dengesiz bir hale gelir ve döngüyü başlatmada kullanılabilecek olan para, kredi ve spekülasyonlara akarak sistemden ayrılmış olur.

Özü gereği sürekli kriz üreten bir sistem olan kapitalizm, David Harvey'ye göre, bu krizlerden biriyle karşılaştığında zaman ve mekân boyunca yeniden tahsis edilerek bu krizden kurtulmaya çalışır; bu da zaman ve mekân boyunca yayılmış olması anlamına gelmektedir. Kapitalizm bu şekilde yeni bir bölgeye geldiğinde kapitalist üretim tarzı bölgede var olan üretim tarzıyla eklemlenir. Zaman içerisinde kapitalist üretim tarzı önceki üretim tarzına tamamen egemen olacaktır. Bu esnada yeni bölgeye gelmiş olan sermayeyle bağlantılı olan üretim sistemi de bölgede hâlihazırda bulunan üretim sistemleriyle hiyerarşik bir biçimde eklemlenir. Kâr makinası ancak kendine uygun bir çevrede yaşayabilir. Bu nedenle sermaye, sadece malların ve ticaret yollarının yayılımıyla kalmayarak, kendine uygun insanlar, kanunlar ve alanlar üretmeye başlar. Sermayenin mümkün olduğunca rahatlıkla gezindiği alan onun küresidir. Bu sürecin işleyişi, sermayenin geldiği bölgede bulunmakta olan devlet, sınıflar ve ekonomik yapıya da bağlı olduğu için sonuçlar tek tip olmamaktadır. Bu nedenle devlet ve etkisi literatürde önem kazanmıştır.

Özellikle 1990lı yıllarda Doğu Asya devletlerinin gösterdiği gelişmeyle bağımlılık teorisinin işlemediği savunulmuştur. Bu süreçte Doğu Asya devletlerini Latin Amerika ülkeleriyle karşılaştıran çalışmalar yapılmıştır. Alice Amsden'in yaptığı araştırmalarla, iddia edildiği üzere Doğu Asya ülkelerinin ekonomiye daha az karışan bir devlet modelini öngören neoliberal anlayışın aksine, ekonomilerine oldukça etkin bir devlet müdahalesiyle yön verdikleri görülmüştür. Devlet teorilerine bu tezde çok ayrıntılı yer verilmemiş olmasına rağmen, bu tartışma kabaca daha çok devletin kapasitesiyle ilgilenen Weber'in bakış açısı ve var olan kapasitesiyle

devletin yaptıklarının sınıfsal içeriğiyle ilgilenen Marksist değerlendirme üzerine bölünmüştür. Peter Evans ise bu iki bakışı bir araya getirerek “gömülü özerklik” kavramını ortaya koymuştur. Bu anlayışa göre devlet, devlet dışında rant arayan güçlü grupların manipülasyonuna gelmeyecek rasyonel bir bürokrasiye sahip olduğu ölçüde *özerk* ve devlet elitlerinin sivil toplumun dominant aktörleriyle yakın ilişkide olmalarını sağlayan sosyal ağlar içerisine sarılmış oldukları kadar da *gömülü*dür.

Rhys Jenkins’e göre Doğu Asya devletleri tarihsel ve sınıfsal nedenlerle Latin Amerika devletlerine göre daha güçlü devlet özerkliğine sahiplerdir ve bu nedenle istedikleri ekonomi politikalarını ülkelerindeki ekonomik aktörlere uygulamaya olasıları daha yüksek olmuştur. Örneğin, Latin Amerika’nın aksine bu ülkelerde kendileri güçlü olan bir burjuva sınıfı yoktur ve ülkeye gelen yabancı sermaye devletin elinden geçtiği için devletin farklı sermaye grupları üzerinde güç elde etmesini sağlamıştır. Ayrıca Latin Amerika’daki işçi sınıfı genel olarak daha örgütlü ve faaldir (Tablo 4-1). Buradan çıkarılacak sonuç, kapitalist sisteme geç eklemelenen bir ülkenin gelişmesinin mümkün olduğu, ancak bu gelişmenin tarihsel süreçlere bağlı pek çok faktörle şekillendiğidir.

Amerika’dan sonraki hegemonik güç olmaya aday gösterilen Çin kapitalist sisteme geç eklemelenmesine rağmen gelişim gösteren bir ülkedir. Figure 4-1’de görülebileceği üzere Çin, kapitalizm öncesi uzun süre dünyanın ekonomik merkezlerinden olmuştur ve son yıllarda Batılı devletleri yakalama yolunda adımlar atmıştır. Maoist dönemden kalmış olan güçlü devlet kurumları sayesinde, Çin’in planlı ekonomiden market ekonomisine geçişi devlet tarafından yönlendirilmiş ve özel sektöre bırakılmamıştır. Her ne kadar sisteme bağımlılıktan kurtulduğu söylenemese de, Çin bağımlı devletler içerisinde kendini farklı bir noktada konumlandırmış ve kendi küresel ekonomisini oluşturma çabasına girişmiştir.

Bu tezde bağımlılık teorisinin güvenilirliğine örnek olarak özellikle 2008 Krizi sonrası Avrupa Birliği’nin durumu ele alınmıştır. Avrupa Birliği başlangıcından itibaren ortak pazara yönelik bir proje olmuştur. Her ne kadar savaşlarla geçmiş olan bir önceki yüzyılın sonunda kıta halkları da bu birlikten yana olmuş olsalar da, bu

proje öncelikle elitlerindir. Birliğin kuruluşundan itibaren uygulanan politikalar, üye ülkelerin hepsinin yararına olacak bir ekonomik sisteme doğru ilerlemeleri amacıyla hazırlanmıştır. Son krize kadar bu çalışmaların başarılı olduğu da düşünülmüş; üye ülkeler arasında bir yakınsama olduğuna inanılmıştı. Avrupa'nın çevresi olan ülkeler en sonunda bölgenin ekonomik merkezine girdiklerini hissediyorlardı; ancak bu görüntü krizle birlikte parçalandı.

Avrupa Merkez Bankası Başkanı Mario Draghi'nin 2013'te yaptığı sunumda ortaya koyduğu veriler birliğin üyelerinin pek de birlik içinde olmadığını gösteriyordu (Figure 4-2 ve Figure 4-3). Örneğin 2007 yılında Yunanistan ve Almanya'nın işsizlik oranları birbirine yakinken, 2013 yılına gelindiğinde Yunanistan için bu değer %26.4 olmuş oysa Almanya'da %5'e gerilemiştir. Ülkelerde görülen kamu açıkları da oldukça değişken bir tablo sergilemektedir. Maastricht Kriterleri'ne göre %3'ten büyük olmaması gereken bu değer Yunanistan, İtalya, İrlanda, Portekiz ve Fransa'da yüksektir. Bunun yanında genel borçları da gayri safi yurt içi hasıllarının %90'ından yüksektir. Oysa her ne kadar Almanya'nın gayri safi yurt için hasılaya oranla borcu yüksek olsa da, kamu fazlası üretmiştir.

Carlo Bastasin'e göre, Avrupalı merkez ve çevre ülkeler arasındaki yapısal farklılık bölgedeki krizi beslemektedir ve bazı ülkeler Almanya'ya ayak uydurabilmişken bazıları Avrupa'nın ekonomik çekirdeğinden kopmaktadır. Bu noktada Avrupa Birliği'nin geleceğiyle ilgili iki farklı görüş vardır. Bastasin her ne kadar henüz tam bir yakınsama olmamış olsa da, bu oynak dengenin kendini düzeltereğini ve Almanya'dan daha fazla büyüme ve çevre ülkelerden daha fazla deflasyonist uyum ile bu sorunun ortadan kalkacağını düşünmektedir. Öte yandan, Andrew Moravscik, Avrupa entegrasyon sürecinin görülebilir gelecek için doğal bir durağan noktaya geldiğini savunmaktadır. Moravscik, krizin getirdiği sorunların yükünün açık veren ülkelere fazla veren ülkelere ve kamudan özel sektöre taşınması gerektiğini söylemektedir.

2008 Ekonomik Krizi her ne kadar Amerika'da başlamış olsa da, Avrupa Birliği'nin bu krizi daha derinden yaşadığı savunulabilir. Çok katmanlı karar alma

mekanizması nedeniyle krize yanıt vermenin gecikmesi Avrupa'nın krizden çıkışını olumsuz engelleyen nedenlerden biridir. Avro bölgesinde zaten kaynamakta olan ve avro uygulamasının muhalifleri tarafından zaten belirtilmekte olan sorunlar da krizi pekiştirmiştir. Timothy Garton Ash avronun uygulanmaya başlanmasından itibaren tartışılan belli şüphelerle beslendiğini belirtmektedir. Ash'e göre ortak bir hazine olmadan ortak bir para biriminin nasıl işleyeceğine, bu kadar çeşitli bir ülke grubunun "herkese tek beden" faiz oranına nasıl uyum sağlayacağına ve avro bölgesinin, kendi içinde bölgeden bölgeye farklılık gösteren ekonomik şoklarla (iktisatçıların "asimetrik şok" olarak adlandırdıkları dalgalanmalar) nasıl başa çıkacağına dair sıkıntılar krizi hazırlamıştır. Ash, avro bölgesi krizinin beklendiğini ancak beklenenden daha geç ve beklenenden daha sert gerçekleştiğini vurgulamıştır.

Avronun uygulanmasıyla Almanya gibi bazı ülkeler mali disiplinlerini korumuş ve borç miktarlarını az tutmuşken çevre ülkeler bolca borç almışlardır. Ancak önemli bir nokta da, Almanya'nın bu kadar başarılı olabilmesinin bu ülkelere bağlı gerçekleşmiş olduğu gerçeğidir: Almanya, "Avrupa'nın Çin'i"dir, ekonomik büyümesini sağlamak için tüketicilere ihtiyaç duyan bir ihracatçıdır.

Bu noktada bunca zaman boyunca ciddi bir planlamayla yürütülmüş olmasına rağmen Avrupa Birliği içerisinde "iki Avrupa"dan bahsedilmesi bile tam bir yakınsamanın pek mümkün olmadığını göstermektedir. Avrupa'nın çevresi olan, Doğu Avrupa ve Güney Avrupa gibi bölgeler, merkeze bağımlı bir büyüme göstermektedirler. Buna örnek olarak Arjan Vliegenthart, Çek Cumhuriyeti, Polonya, Slovakya ve Macaristan'dan oluşan Visegard Dörtlüsü'nü örnek vermiştir. Bu ülkelere 1990lı yıllardan itibaren büyük bir sermaye akışı olmuş (Figure 4-4) ve bu durumun bölgenin ekonomik kalkınmasındaki yerinin altı çizilmiş olsa da, sonucunda gerçekleşmiş olan önemli ekonomik kararların bölge dışına kayması etkisi ana akım literatürde göz ardı edilmiştir.

Bölgeye akan bu sermaye otomotiv, imalat ve elektronik gibi Batı Avrupa ülkelerine yönelik dayanıklı tüketim mallarının üretimini yapan sektörlerin kararlarında etkili olacak bir yüzdeye ulaşmıştır. Bu durumda yarı-çevre ülkeler

malların üretimine odaklanırken, pazarlama gibi işletme adımlarının gerçekleştiği merkez ülkeler kardan daha yüksek bir pay almaktadır. Doğrudan yabancı yatırımların etkisinin daha da önemli olduğu bir diğer sektör bankacılıktır. Figure 4-5'te görüldüğü gibi Orta Avrupa bölgesindeki bankaların yabancılara ait olan yüzdesi dünyanın geri kalanına göre oldukça yüksektir. Nölke ve Vliegenthart bu bağlamda bu ülkeleri “bağımlı market ekonomileri” olarak tanımlamışlardır. Her ne kadar 1990lı yıllarda bu ekonomiler büyüme göstermiş olsalar da, bu büyüme yabancı yatırımlara bağlı olarak gerçekleşmiş ve bu yatırımlardaki düşüş bölgedeki ülkelerin de büyümesinde duraklama anlamına gelmiştir.

Tüm dünyanın ilgisini üzerine çeken bir diğer örnek Yunanistan'dır. Yunanistan'ın borcuyla da iyice şiddetlenen durum artık ekonomik ya da politik değil, insani bir kriz olarak tanımlanmaktadır. 2008 Krizi'nin bir etkisi olarak İtalya, İspanya ve Portekiz gibi Güney Avrupa ülkelerinde ve İrlanda'da da demokratik biçimde seçilmiş olan hükümetleri değişmiştir. Figure 4-6'da görüldüğü üzere bu bölgede gayri safi yurt içi hasılaya oranla doğrudan yabancı yatırım oranı Doğu Avrupa'ya göre düşüktür. Ancak Figure 4-7'de görüldüğü gibi Yunanistan'daki yabancı sermaye oldukça hareketlidir. Ülkenin içinde bulunduğu Borç Krizi, Figure 4-8'de görüldüğü gibi avro ile başlamış olsa bile, henüz ülkenin avrodan çıkması olasılığı tam olarak ortadan kalkmamıştır. Avro bölgesinde kalmak, ülkenin yöneticilerinin krizden çıkmak için gerekli gördükleri değişimleri gerçekleştirmelerini aksatmaktadır. 2015 yılının başlarında Yunanistan'da başa gelen Syriza (Radikal Sol Koalisyon) Hükümeti ülkenin krizden çıkabilmesi için IMF ve Avrupa Merkez Bankası'yla hararetli müzakerelere girişmiştir. Haziran 2015 itibarıyla, Yunanistan'ın ücretleri ödeyebilmek için ihtiyaç duyduğu finans ve Yunan bankalarının likidite için Avrupa Merkez Bankası'na bel bağlamış olması nedeniyle bazı fedakârlıklar yapmaları gerekmiştir. Syriza Hükümeti'nin Avrupa Komisyonu, Avrupa Merkez Bankası ve IMF'nin kendilerine koydukları şartlara boyun eğip eğmeyecekleri henüz netleşmemiştir. Ancak, Yunanistan'ın Avrupa Birliği fonlarına bağımlı olan ekonomisi, bu insani krizin sonlandırılması için gerekli olan adımların atılmasını erteleyecektir.

Sonuç bölümünde, Türkiye gelecek çalışmalarda tartışılabilir bir örnek olarak ortaya konmuştur. Uzun bir süredir Avrupa Birliği'ne girmeye çalışan bir ülke olarak Türkiye ilginç bir bağımlı ekonomi örneği sunmaktadır. 1980lerden itibaren Türkiye neoliberal politikaları uygulamaya başlamıştır. Kendisi de eski bir Dünya Bankası çalışanı olan Turgut Özal ve önemli karar alma pozisyonlarına getirilen teknokratları –“Özal'ın Prensleri”- önderliğinde, ekonomi üzerinde siyasal etkinin azaltılması yönünde kararlar alınmıştır. Bunun amacının ekonomiyi profesyonellere bırakarak krizlerden kurtarılması olduğu iddia edilmiştir. Ancak sonuçta Türkiye 1990lı yılları da krizlerle geçirmiş ve yapılan değişikliklerin etkisi esasen ekonomiye halkın etkisini azaltarak, önemli kararları bir avuç bürokratin inisiyatifine bırakmak şeklinde olmuştur. 1980lerde var olan yapının içerisine gömülü yeni bakanlıklar ve bazı önemli dairelerin Başbakanlık'a bağlanması şeklinde gerçekleştirilen değişimler, 2000li yıllarda yerini hızlı özelleştirmelere bırakmıştır. 1990ların çalkantılı krizlerinin ardından Türkiye ekonomisi 2000li yıllarda istikrarlı bir büyüme sürecine girmiştir. Ancak bu büyüme küresel ekonominin yükselişi ve ülkeye giren yabancı sermayeyle doğrudan orantılı olup, bu parlak performans düşük yurt içi tasarruf seviyesi ve büyük cari açığın göz ardı edilmesine neden olmuştur. 2008 Krizi'nden bahsi geçen diğer ülkeler kadar çok etkilenmiş olmasa da, yaşanan daralma Türkiye ekonomisinde yükselen işsizlik ve düşen büyüme oranlarıyla etkisini göstermiştir. Ekonominin gidişatının yabancı sermaye hareketleriyle ilişkisi, Türkiye'nin bağımlılığının bir göstergesidir.

Bağımlılık Teorisi kendi içerisinde pek çok farklı görüşün çatışmasına sahne olmuş ve son otuz yılda sisteme geç eklemlenen bazı ülkelerin gelişme göstermesiyle büyük ölçüde geri plana itilmiştir. Ancak bu teori, kapitalist sistemin yarattığı ve son kriziyle birlikte iyice meydana çıkan sorunları incelemek için uygun araçlar sunmaktadır. Yarı-çevre olarak nitelendirilen ülkelerin tek tip olmaması incelemeleri zorlaştırsa da, bu ülkelerdeki durumları genişlemekte olan kapitalizmin yeni bölgelerle kurduğu ilişkiler açısından değerlendirmek faydalı olmaktadır. Teorinin geliştirilmesi için yapılacak çok şey vardır, ancak görülmektedir ki her ne kadar içinde bulunduğumuz “birbirine bağımlı” bir dünya olsa da, bazıları daha bağımlıdır.





## APPENDIX B: TEZ FOTOKOPİSİ İZİN FORMU

### **ENSTİTÜ**

Fen Bilimleri Enstitüsü	<input type="checkbox"/>
Sosyal Bilimler Enstitüsü	<input type="checkbox"/>
Uygulamalı Matematik Enstitüsü	<input type="checkbox"/>
Enformatik Enstitüsü	<input type="checkbox"/>
Deniz Bilimleri Enstitüsü	<input type="checkbox"/>

### **YAZARIN**

Soyadı : Savaş  
Adı : Ayşe  
Bölümü : Siyaset Bilimi ve Kamu Yönetimi

**TEZİN ADI** (İngilizce) : Dependency *Redivivus*: The Relevance of  
Dependency Theory in Understanding  
Contemporary Capitalism and the Crisis in  
Europe

**TEZİN TÜRÜ** : Yüksek Lisans ☐ Doktora ☐

1. Tezimin tamamından kaynak gösterilmek şartıyla fotokopi alınabilir. ☐
2. Tezimin içindekiler sayfası, özet, indeks sayfalarından ve/veya bir bölümünden kaynak gösterilmek şartıyla fotokopi alınabilir. ☐
3. Tezimden bir (1) yıl süreyle fotokopi alınamaz. ☐

**TEZİN KÜTÜPHANEYE TESLİM TARİHİ:**