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Research Article

Are Dependency Theory and Modern World-System Analysis Relevant Today?

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Abstract: This article aims to analyze the relevance of dependency theory and modern world-systems analysis in understanding the contemporary dynamics of global capitalism. Instead of discussing their epistemological validity, this study suggests tackling the dependency and world-systems approaches as analytical tools to explore recent political and economic developments. It assesses the applicability of these approaches through cases studies of primitive accumulation, unequal exchanges and financial subordination. The study initially examines the primitive accumulation in peripheral countries through extractive industries controlled by multinational corporations and the commodification and privatization of natural resources. Secondly, it analyzes the continuous transfer of surplus value from the periphery to the core through unequal exchanges in international trade. These exchanges stem from wage and resource price disparities between core and peripheral countries, perpetuating hierarchical trade relations and fostering uneven development. Thirdly, the study discusses the process of financial subordination, which entails debt-credit relations leading to perpetual debt traps for structurally fragile peripheral countries. It is shown that the global currency hierarchy and the volatility of capital flows exacerbate the vulnerability and peripheralization of developing and emerging economies. The analysis of these three cases confirms that the dependency and world-systems approach still offer valuable insights for interpreting contemporary dynamics in global capitalism.

Keywords: Dependency Theory, World-Systems Analysis, Primitive Accumulation, Unequal Exchanges, Financial Subordination
Jel Codes: B24, B51, B52, P45, Q02

Bağımlılık Teorisi ve Modern Dünya-Sistem Analizi Bugün Hala Geçerli mi?

Öz: Bu makale, küresel kapitalizmin çağdaş dinamiklerini anlamak için bağımlılık teorisi ve modern dünya-sistemleri analizinin uygunluğunu analiz etmeyi amaçlamaktadır. Bu çalışma, bağımlılık ve dünya-sistemleri yaklaşımlarının epistemolojik geçerliliklerini tartışmak yerine, bu yaklaşımları günümüzdeki siyasi ve ekonomik gelişmeleri anlamak için analitik araçlar olarak kullanmayı önermektedir. Bağımlılık ve dünya-sistemleri yaklaşımlarının uygulanabilirliğini ilkel birikim, eşitsiz mübadele ve finansal tabiiyet vakaları üzerinden değerlendirmektedir. Çalışma ilk olarak, çok uluslu şirketler tarafından kontrol edilen maden çıkarma endüstrileri ve doğal kaynakların metalaştırılması ve özelleştirilmesi yoluyla çevre ülkelerdeki ilkel birikimi incelemektedir. İkinci olarak, artı değerin eşitsiz mübadeleler yoluyla çevreden merkeze sürekli aktarımını analiz etmektedir. Bu mübadeleler, merkez ve çevre ülkeler arasındaki ücret ve kaynak fiyatı farklılıklarından kaynaklanmakta, hiyerarşik ticaret ilişkilerini sürdürmekte ve eşitsiz kalkınmaya yol açmaktadır. Üçüncü olarak, yapısal olarak kırılgan çevre ülkeleri için sürekli borç tuzaklarına yol açan borç-kredi ilişkilerini içeren "finansal tabiiyet" süreci tartışılmaktadır. Küresel para hiyerarşisinin ve sermaye akışlarındaki oynaklığın, gelişmekte olan ve yükselen ekonomilerin kırılganlığını ve çevreselleşmesini daha da kötüleştirdiği gösterilmektedir. Bu üç vakanın analizi, hem bağımlılık teorisi ve dünya sistemleri yaklaşımlarının küresel kapitalizmdeki çağdaş dinamikleri yorumlamak için hala kıymetli iç görüler sunduğunu göstermektedir.

Anahtar Kelimeler: Bağımlılık Teorisi, Dünya-Sistemleri Analizi, İlkel Birikim, Eşitsiz Mübadeleler, Finansal Tabiiyet
Jel Kodları: B24, B51, B52, P45, Q02

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1. Introduction

In the 1960s, dependency theory and world-systems analysis gained popularity for their critical examination of issues related to "development" and "underdevelopment," representing radical approaches in economics, sociology, and history. However, these two approaches were largely marginalized and discredited following the neoliberal counter-revolution and the ascent of market fundamentalism in the 1970s, the waning influence of socialist ideologies in the late 1980s and 1990s, and the relegation of poverty and structural inequalities from the economics discipline's agenda during the neoliberal era. Nonetheless, some recent studies suggest that both dependency theory and world-systems analysis retain significant explanatory power, particularly in understanding new imperial relations, polarizations, and uneven developments within the context of globalization over the past four decades (Kvangraven et al., 2017; Kvangraven, 2021). Building on these recent contributions, this article argues that insights from both dependency theory and modern world-system analysis remain highly valuable for explaining the dynamics of contemporary capitalism.

While there exists a substantial debate among Marxists and dependency theorists regarding the validity of their respective theories (Frank, 1992, 1998; Savran, 2008; Kvangraven, 2021), this study acknowledges the inherent challenge in confirming the validity of any scientific theory through limited means and efforts, such as only checking new empirical data and facts. Therefore, rather than questioning the validity of the dependency and world-systems theories, this article suggests focusing on the insights and perspectives that these approaches offer for understanding contemporary capitalism. Kiely's (2010) distinction between dependency/world-systems as a tool of analysis and dependency/world-systems as theory may be insightful, as he offers that these approaches continue to be powerful analytical tools today. Following Kiely's footsteps, I suggest focusing on the insights and perspectives provided by these two schools in grasping the current dynamics of global capitalism.

As the main argument, this article contends that contemporary dependence of "developing countries" and "emerging economies" (periphery) on advanced capitalist countries (center) operates through the cases of primitive accumulation, unequal exchanges in production and trade, and financial subordination. Firstly, I will argue that primitive accumulation, particularly in natural resources and extractive industries, deepens periphery reliance on the center. Secondly, I will discuss that unequal exchanges against the background the global division of labor, especially in production and trade, perpetuate global capitalist hierarchies by funneling surplus value from the Global South to the Global North. Thirdly, peripheral countries' dependence on the core is exacerbated by financialization processes, termed "financial subordination." The subsequent sections of the article will initially outline the core tenets of dependent and world-system theories. Following this, the formation of dependency relations will be respectively discussed through cases of primitive accumulation, unequal exchanges (in production and trade), and financialization. Lastly, the conclusion section will summarize the article's key points and discuss its findings.

2. Dependency and World-System Approaches in Retrospective

Many scholars in political economy and economic history argue that dependency theory originated in Latin America during the 1960s as a response to modernization theory (Kiely, 2010; Farny, 2016). Prominent figures associated with the dependency school include Raúl Prebisch (1901-1986), Fernando Henrique Cardoso (1931-), Andre Gunder Frank (1929-2005), and Samir Amin (1931-2018). These scholars vehemently criticize modernization theory's linear development trajectory and one-size-fits-all approach. They argue that it is impossible for the late-comer countries to catch the industrialized countries, which were exclusively located in the West, because of the historical legacy of colonialism, historical and ongoing exploitation relations, unequal exchanges and trade relations, etc. In his discussions on underdevelopment, Frank (1966, 1998) underscores the significance of colonialism and surplus extraction from satellite to metropolis nations in shaping today's global capitalist hierarchies. Frank contends that development and underdevelopment are the two sides of the same coin, asserting that "the developed countries were developed because they extracted the economic surplus produced by the poorer countries" (Kiely, 2010, p. 4)

As the successor to dependency theory, modern world-systems analysis offers a holistic perspective on examining the structural dynamics of the global system, illuminating issues of unequal development and heightened inequalities between the core and periphery. Wallerstein, a leading figure in world-systems analysis, asserts that the global system has been capitalist since the sixteenth century, dividing the world into core, peripheral, and semi-peripheral regions (Wallerstein, 1974, 1980). He argues that core regions focus on advanced high-value production and extract surplus from the periphery and semi-periphery (Wallerstein, 1980). However, it is important to note there is a critical methodological distinction between these two schools of thought: while dependency theory focuses on specific countries or regions as its unit of analysis, such as the underdevelopment of a particular country or region, world-systems scholars consider the international or global system as their unit of analysis, exploring the dynamics of hierarchical relationships between various entities. Nevertheless, both dependency and modern world-systems theories offer a structural perspective on understanding production, exploitation, and accumulation among the core, periphery, and semi-periphery (Chase-Dunn, 2007). Tausch (2010, p. 469) underlines that

> A high penetration by foreign capital, a heavy technological dependence from the leading countries, the overall subordination of the productive capacities of the country towards the interests of the evolving international division of labour, the concentration of exports on a few commodities and recipients [are] some of the main characteristics of the periphery and semi-periphery countries.

Although the experience of colonization plays a critical role in the formation of dependency relations and global capitalist hierarchies, neither dependency theory nor world-systems analysis can be adequately discussed and operationalized solely within the framework of colonization. This is because many countries and regions that were not directly colonized in the past have become unevenly integrated into the global capitalist system and transformed into peripheral actors over time. Additionally, colonizers established various capitalist social formations in colonized geographies through diverse political, economic, and commercial relations. Moreover, new colonial and imperial relations have emerged between the core and the periphery amidst the neoliberal restructuring of economies since the 1970s. Therefore, dependency relations cannot be solely attributed to the colonial past.

Instead, I suggest reconsidering dependency and world-systems perspectives directly in terms of Marxian conceptions of class conflict, surplus extraction, and value transfer. Given that the dependency school was originally influenced by the Marxist critique of political economy, dependency theory can be described as an attempt to interpret the relations between core and peripheral countries as the geographical-historical projection of the exploitative relation between the bourgeoisie and the proletariat. Dependency and world-systems theorists interpreted the spatial-temporal dynamics of global capitalism in terms of the extraction and transfer of surplus value. However, it is necessary to note that various sub-branches of the dependency school emerged (structuralists, neo-Marxists, Latin Americanists, South Asianists, etc.) in the 1960s. Considering the strong impact and analytical capacity of the writings of Andre Gunder Frank and Immanuel Wallerstein on the development literature (Kvangraven, 2021), I focus only on these two thinkers to analyze the dependency school and the modern world-system in this study.

By adopting a holistic perspective on the emergence and transformations of the capitalist system, Frank (1966) argues that economic development and underdevelopment are simultaneous processes. In the light of historical data, Frank (1966, 1998) discloses the persistent exploitative relations between the “developed” metropolis and the ”undeveloped” satellite geographies from the past to the present. Frank highlights that the colonization experience from the 16th to the 20th century, which involved explicit violent practices in the cases of the slavery regimes, imprinted the following unequal development process. In the processes of colonization, Westerners deployed their naval and military technology to seize the raw materials, natural products, and labor force of the colonized territories. While the raw materials and natural products were transferred to the Western countries (almost at zero cost except transportation), the value-added industrial products of Western capitalists were sold to the colonies. The metropolis plunders the satellite’s agricultural products and, in return, sells industrial products. In this way, significant levels of wealth are transferred to the metropolis in Europe. According to Frank (1966), the process of peripheralization and subordination was accelerated in Latin America as much as they integrated into the global capitalist system. Countries with strong commercial ties to the capitalist centers suffer much more than those with weaker ties. In countries that are more integrated into global capitalism, domestic producers are crushed by the competition of foreign firms, capital becomes increasingly monopolized, and as a result, income distribution within the country becomes increasingly distorted.

A paradigmatic shift occurred, particularly in the Global North, following the Great Depression of 1929. The deepening economic crisis of the 1930s, marked by widespread unemployment, poverty, and insecurity, eroded confidence in liberal ("laissez-faire") ideologies and policies. Consequently, Keynesian principles advocating state intervention gained ascendancy over market fundamentalism. In the post-War period, Polanyian “double movement” came into play as the public attempted to take measures to protect itself against the market and its failures (Silver and Arrighi, 2003). Concurrently, in the Global South, protectionist sentiments gained traction from the 1930s onward. Spearheaded by initiatives such as the United Nations Economic Commission for Latin America (ECLAC), policies promoting import-substitution industrialization (ISI) were adopted across Latin American nations starting in the 1950s. These policies aimed to restrict imports and foster domestic industries. Notably, influential structuralist economists affiliated with ECLAC, including Raúl Prebisch in Argentina, Celso Furtado in Brazil, and Aníbal Pinto in Chile, championed dependency theory, contributing to its widespread acceptance in Latin America. However, during this period, a contentious relationship between structuralist and dependency schools emerged. Saad-Filho (2005, p. 128) elaborates on this dynamic, commenting that

> There is a close theoretical and historical relationship between these schools of thought. This is partly because they share key principles and perspectives on development and underdevelopment, and partly because prominent structuralists played an important role in the development of dependency theory in the sixties. In spite of their similarities […] there is a fundamental difference between structuralism and dependency theory: while the former claims that capitalist development is possible in the periphery through industrialization and comprehensive social reforms, the latter is more pessimistic, arguing that capitalism systematically underdevelops poor countries. For most *dependentistas*, socialism is the only alternative.

The emergence of the dependency school should be contextualized within the political landscape of the post-War era. The prominence of the "national economy" paradigm and the Soviet planning model exerted a significant influence on dependency theorists in the Global South. Additionally, the proliferation of anti-colonial and liberation movements across the Third World, rallying against Western imperialism, played a pivotal role in fostering the growth of the dependency school.

According to Immanuel Wallerstein (1976), the leading figure of modern world-systems analysis, the positions of countries within the capitalist world-system – i.e., center, periphery, and semiperiphery - are determined by the global division of labor. This global division of labor allows for unequal exchange relations between the core, periphery, and semiperiphery. In very basic terms, the periphery primarily supplies raw materials, agricultural commodities, and cheap labor to the core, while the core produces and sells manufactured goods that entail advanced technologies to the periphery. The modern world-system has its roots in the 16th century and induced a hierarchical structuring of economic relations from the very beginning – since the rise of industrial capitalism in Great Britain. After the collapse of British hegemony ("Pax Britannica"), US hegemony (Pax Americana) has arisen due to the industrial-military complex and processes of financialization in the 20th century. It is necessary to remark that once the world system is established, the positions of countries and regions could not change easily. The tectonic shifts that alter the fault lines of global capitalism happen very slowly. On the persistence of world-system, Chase-Dunn (2007, p. 1061) argues that

> The core/periphery hierarchy remains, though some countries have moved up or down. The interstate system remains, though the internationalization of capital has further constrained the abilities of states to structure national economies. States have always been subjected to larger geopolitical and economic forces in the world-system, and as is still the case, some have been more successful at exploiting opportunities and protecting themselves from liabilities than others.

Wallerstein (1976) depicts three forms of world-systems in retrospect. The first and earliest world-system is based on the principle of reciprocal lineage. This is exemplified by primitive tribal societies. The basic principle in these mini-systems is survival and subsistence, thus there is a very limited degree of specialization and exchange in the economy (Wallerstein, 1976, p. 346). The second world-system is the world-empire. The Roman Empire (and presumably Ottoman Empire) is an ideal-typical example of this stage. Although there is an artisan class, production is mainly based on agriculture in the context of empires. The agricultural surplus is appropriated by the ruling and administrative classes. Local markets were well developed in many empires in the 19th century. As expected, in the mini-systems and world-empire, the goal is neither profit-maximization nor capital accumulation. Instead, extra-economic motives still dominate the socioeconomic formation of feudalism. The third world-system, the modern world-system, is global capitalism, in which the capitalist mode of production operates at the global scale through supply chains. The market logic is dominant, and the social surplus is appropriated through market relations. Although nation-states have been very influential in constructing and shaping markets in the first half of the century, the nexus between state, market, and society has become blurry with the intensifying globalization processes in the 20th century. Nonetheless, despite some minor changes, today we still live in a modern capitalist world system, which is exclusively characterized by the principles of market exchange and profit-maximization.

The modern world-system analysis is characterized by its emphasis on hierarchies established through the global division of labor and specialization. This perspective translates class relations, based on exploitation and surplus transfer, into inter-regional and inter-country relations: economic surplus flows from low-wage, labor-intensive sectors and producers in the periphery to high-wage, capital-intensive sectors and producers at the core (Wallerstein, 1976, p. 351). Core countries primarily engage in high-skilled and capital-intensive production, whereas periphery countries focus on low-skilled and labor-intensive production. The core countries exploit the valuable raw materials and cheap labor of the periphery, while selling processed commodities back to them. Today, the rapid commodification of rural land and the extraction of minerals and underground resources in peripheral countries, facilitated by foreign direct investments, exemplify this dynamic, particularly in Middle Eastern and African nations. World-system analysts highlight these unequal exchanges between core and periphery countries. Through the global division of labor, the capitalist classes in core countries have accumulated significant capital over the last two centuries. However, this system has also created an unexpected overaccumulation problem for advanced capitalist countries.

To address the overaccumulation problem, core countries continuously seek new markets and adopt new imperial strategies. Marxist political economists argue that the challenge of overaccumulation in capitalist centers can only be resolved through "spatial displacements," involving the exploration of new markets, production capacities, and social and labor opportunities (Harvey, 2004, p. 64). Furthermore, it is important to note that the uneven development (i.e., polarization between the core and the periphery) has evolved with the processes of deindustrialization, the ascent of the services sector, and the deepening of financialization in the latter half of the 20th century. It is necessary to underline that industrial production has shifted from the advanced capitalist countries at the core to the poorer countries in the periphery, driven by the pursuit of cheap labor. Consequently, a new dichotomy has emerged: the core functions as the mind, responsible for designing, planning, and overseeing production, while the periphery functions as the body, providing material labor in production processes.

It can be argued that there has been a gradual decline in academic and political interest in dependency theory, which once offered a nuanced development strategy for underdeveloped countries, especially since the late 1970s. Similarly, the modern world-systems analysis has also experienced waning popularity over time. Several factors contribute to this decline, including the neoliberal counter-revolution and globalization (Duménil and Lévy, 2005), the paradigmatic shift from Keynesianism to neoliberalism in economics (Palley, 2005), postmodern critiques of structuralist perspectives (Kuran, 2010), and the IMF and World Bank's governance of indebtedness and financial absorption in peripheral countries (Güngen, 2021). Additionally, it is necessary to note that the developmental state experience and the subsequent "Asian Miracle" as well as China's rise since the 1990s have led some political economists, including some Marxist scholars, to overlook the hierarchical dynamics of global capitalism and neglect the value of dependency and world-system approaches (Kvangraven, 2021). Critics argue that dependency theory is too much static, economistic, mechanistic, and tautological (Frank, 1992), while also neglecting the agency of actors in the Global South (Kvangraven, 2021). Although the modern world-system perspective, which inherited from the dependency school, has maintained some level of recognition, largely due to the efforts of Wallerstein (who passed away in 2019), both dependency and world system approaches could not avoid being marginalized from both academic and policy circles.

However, in contrast to this conventional disbelief and debunking attempts, I contend that both the dependency and world-systems approaches remain valuable for understanding the dynamics of capitalism over the past four decades. These approaches shed light on critical political-economic processes, including primitive accumulation and dispossession, unequal exchanges and uneven development, as well as financialization and indebtedness.

3. Primitive Accumulation Today

In terms of Marxian theory, primitive accumulation stands out as a fundamental aspect of the capitalist system (Marx, 1867; Wood, 2003). Initially, primitive accumulation referred to the processes of dispossession during Europe's transition from feudalism to capitalism. A prime historical example of primitive accumulation occurred during the enclosure of common lands in England between the 15th and 17th centuries (Wood, 2003). This process involved forcibly displacing peasants and farmers from their land – i.e., separating them from the means of production. Those displaced peasants became the cheap labor force required by emerging industries, while also forming the consumer base essential for the market. It is important to note that primitive accumulation is not a historical moment associated with capitalism's inception but an ongoing dynamic inherent to the capitalist economy. According to Harvey (2004, p. 74), in broader terms, primitive accumulation encompasses

> the commodification and privatization of land and the forceful expulsion of peasant populations; conversion of various forms of property rights –common, collective, state, etc.– into exclusive private property rights; suppression of rights to the commons; commodification of labour power and the suppression of alternative, indigenous, forms of production and consumption; colonial, neo-colonial and imperial processes of appropriation of assets, including natural resources; monetization of exchange and taxation, particularly of land; slave trade; and usury, the national debt and ultimately the credit system.

Capitalism sustains itself through the ongoing process of primitive accumulation. The perpetuation of commodification and the reproduction of "market society" rely on the continual occurrence of primitive accumulation (Prudham, 2013).[1] Thus, primitive accumulation is not an isolated event but rather a recurring pattern within contemporary capitalism. Particularly under the neoliberal paradigm, primitive accumulation has been notably facilitated through extractive industries and the privatization of common resources. Perelman (2007, p. 59) argues that

> [M]ultinational corporations are taking over resources –for example, water, forests, land for mining operations, and even the ownership of food by privatizing its genetic codes– in a manner that would have made earlier primitive accumulationists proud. Their primary objective, however, is not to deprive people of their means of production but rather to grab wealth directly via privatization.

Singham (2019) specifies that multinational corporations dominate the extractive industries in Global South countries. Extractive industries involve the processes of extraction, development, and sale of nonrenewable natural resources, such as mines, minerals, metals, oil, and natural gas. Multinational corporations (MNCs) acquire licenses for mining minerals, metals, and other natural resources, especially by exploiting the lack of infrastructure and investment capacity in developing countries. As the capital-intensive extractive sector necessitates substantial initial investments in equipment and facilities, poor countries have had no choice but to sell their domestic natural resources to MNCs.

A recent report by the United Nations indicates that global extraction of materials increased from 27.1 billion tons to 92.1 billion tons annually between 1970 and 2017, corresponding to an increase of 2.6 percent per year (UN Environment, 2019, p. 42). The report further specifies that "materials extraction is dominated, in absolute terms, by upper-middle-income countries, which account for 56 percent of the global total" (UN Environment, 2019, p. 44). This trend confirms that domestic extraction is indeed very limited in lower-income countries, and their natural resources have been largely plundered by multinational corporations rooted in advanced capitalist countries.

An empirical study on 2000 multinational corporations (MNCs) shows that the share of profits of MNCs operating in extractive industries increased from 9.3 percent in 1996 to 13.3 percent in 2015 (Singham, 2019). Profits of US-based MNCs from their foreign direct investments rose from 14 percent in 1982 to 23 percent in 2017 (Foley, Hines and Wessel 2021, p. 14). Likewise, the share of global sales generated by US-based multinational corporations in Asia increased from 14 percent in 1982 to 28 percent in 2017 (Foley, Hines and Wessel 2021, p. 7). These two trends might indicate a shift by US-based MNCs towards Asia in terms of their extractive operations. In recent years, American MNCs have continued to boost their profits by expanding their economic activities abroad. Between 2019 and 2022, US direct investment by MNCs approximately increased from 5,84 billion

[1] Prudham (2013, p. 1569) remarks that "Polanyi's ideas, at once conceptual and polemical, draw centrally on Marx's theorization of primitive accumulation as an inherent, 'extra-economic' facet of historical-geographical capitalism."

dollars to 6,58 billion dollars (Bureau of Economic Analysis, 2023). In 2022, US-based MNCs generated $590.4 billion in income from their total overseas investments, marking a 3.6 percent increase from the previous year (Bureau of Economic Analysis, 2023). In addition to investments in Europe, American MNCs expanded their market shares in the Asia-Pacific, Latin America, Middle East and Africa. It is significant to note that MNCs easily avoid regulatory measures and especially paying corporate taxes while exploiting the newly privatized extractive sectors of peripheral countries. For instance, a recent report by the IMF highlights the fact that mining-dependent countries in sub-Saharan Africa lose between $470 million and $730 million annually in corporate income tax on average from MNE tax avoidance (Devine et al., 2021, p. VIII).

Today, the exploitation of natural resources in poor peripheral countries by multinational corporations can be understood through the lens of primitive accumulation. While the coercive aspects of contemporary primitive accumulation may not be as overt as in the past, the adverse consequences of commodification, dispossession, indebtedness, and neoliberal development are keenly felt by rural populations in the Global South (Byres, 2005; Adaman, Arsel and Akbulut, 2018). Although extreme poverty has declined in recent years (from 736 million in 2015 to 670 million in 2022 globally), it remains significant for the rural populations. (IFAD, 2020; UN, 2023). A significant portion of extreme poverty is concentrated in sub-Saharan Africa, where approximately 413 million people are poor (IFAD, 2020). Approximately 80 percent of those experiencing absolute poverty are rural populations, mostly small landowners or agricultural workers whose livelihoods have been undermined by the processes of primitive accumulation and extraction fostered by neoliberalism (IFAD, 2020).

4. Unequal Exchanges Today

Dependency and world-systems theorists tend to explain the relations of exploitation between the center and the periphery in terms of "unequal exchanges" in production and trade (Petras, 1981). The debate on unequal exchanges started with Emmanuel's theory (1972) on wage differences between core and periphery countries. As long as unequal exchanges persist, periphery countries remain dependent on core countries. Considering the global capitalist hierarchies and unequal exchanges, dependency theorists argue that the transfer of surplus value from the periphery to the center simultaneously generates economic development and underdevelopment. Since wages and (natural) resource prices are lower in peripheral countries than in core countries, the former must export more labor and resources to balance their trade. This naturally leads to a continuous transfer of surplus value from the periphery to the center. Unequal exchange theorists underline that the high economic growth performance in the Global North has been achieved to large extent through extraction of resources and labor from the Global South vis-à-vis price differentials in international trade between the Global North and Global South countries (Hickel, 2017; Hickel et al., 2022).

In a recent study, Hickel et al. (2021) estimate the size of the value transferred through unequal exchanges in international trade from the periphery to the core by applying the Köhler's (1998) method.[2] According this study, about 62 trillion dollars of surplus value was transferred from the Global South (periphery) to the Global North (core) between 1960 and 2017 (see Figure 1).

[2] Köhler (1998) proposes to use the World Bank's purchasing power parity to value exports from the Global South at the price level in the Global North. The Köhler method can be simplified as follows:

$$T = dX - X$$

T: value transferred through unequal exchange

X: exports from periphery to core

d: the ratio of the peripheral country's ERDI to the core country's ERDI

$$ERDI\ (Exchange\ Rate\ Deviation\ Index) = \frac{Purchasing\ Power\ Parity}{Market\ Exchange\ Rates}$$

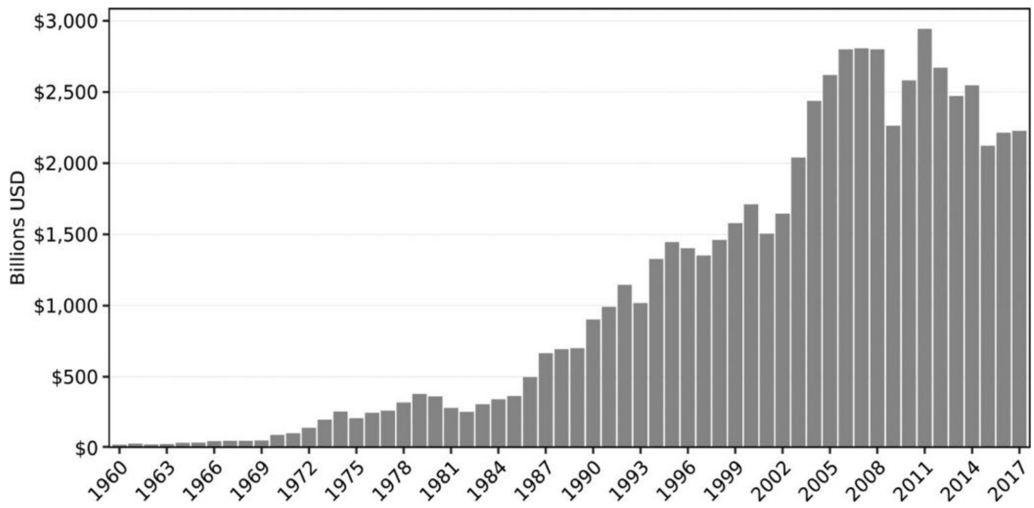

Figure 1. Drain from the global South, constant 2011 dollars, billions (1960-2017)
Source: Hickel, Sullivan and Zoomkawala (2021, p. 1034)

Figure 1 illustrates that the surplus transfer from the Global South to the Global North has accelerated since the neoliberal turn in the 1980s. However, the majority of this transfer has occurred in the last two decades. This figure implies the fact that, only in 2017, the Global North countries appropriated $2.2 trillion from the countries of the Global South through international trade. With a monetary resource of this magnitude, it would be possible to end absolute poverty in the Global South countries at least 15 times (Hickel et al., 2021, p. 1030). Another study shows that, in 2015, the Global North extracted 12 billion tons of raw material equivalents, 822 million hectares of land, 21 exajoules of energy, and 188 million person-years of labor from the Global South. These resources were valued at $10.8 trillion in Northern prices, which could have eradicated extreme poverty 70 times over (Hickel et al., 2022, p. 5).

Most peripheral countries have undergone processes of tariff reduction, trade liberalization, downsizing of public sectors, structural adjustment policies, labor market deregulation and monopolization of local markets by multinational corporations since the 1980s. Neoliberal restructuring of peripheral economies has accelerated levels of exploitation and surplus transfers. Concurrently, technological advancements and globalization of production and supply chains have hastened surplus transfers from the periphery to the core. Furthermore, it can be argued that the deindustrialization of Western countries has exacerbated polarizations between the center and the periphery. While core countries oversee research, design, planning, and control processes, peripheral countries bear the burden of heavy industrial production. Nevertheless, despite increasing investment by Western firms in various industries of the Global South, the proportion of people employed in manufacturing sector in these countries has steadily declined, with the service sector expanding in recent years. This shift towards the service sector is partly due to increasing automation of production, even in peripheral countries.

In drawing parallels between neoliberalism, globalization and imperialism, Radice (2005) argues that developing countries that have been rapidly exposed to global competition since the 1980s have to deregulate their labor markets in order to cut production costs. The deregulation of labor in peripheral countries has brought forward insecurity, precarization and severe forms of exploitative violence in employment relations. The fact that workers in peripheral countries are more often exposed to occupational accidents and death points out the dramatic unevenness in employment conditions between core and periphery (ILO, 2011). A study examining 105 major multi-fatality industrial disasters from 1971 to 2000 reveals significantly higher fatality rates per industrial incident in industrializing and developing countries (Beck, 2016).

5. Financial Subordination Today

Today, the dependency of peripheral "developing and emerging economies" (DEEs) on advanced capitalist countries must also be examined in terms of financial relations. The latest wave of globalization has brought about financial risks, instabilities, and crises that have rendered DEEs highly vulnerable. It can be argued that finance has become the primary catalyst for maintaining the capitalist regime of accumulation in both domestic and international markets in recent decades. At every level, from the micro-individual to the macro-structural, the most notable feature of the new form of capitalism is the proliferation of debt-credit relations, exposing structurally fragile actors in perpetual debt traps. Although there has been insufficient attention given to the experience and modalities of financialization in peripheral countries, existing literature generally characterizes the integration of DEEs into global financial markets as “subordinated financialization” and/or “financial subordination” (Powell, 2013; Alami et al., 2023). This implies that financial integration has exacerbated the inherent inequalities of global capitalism and contributed to the subordinate position of DEEs. Yet it is necessary to remark that financial subordination is not but historical phenomenon. Due to the dependent development, peripheral economies have been heavily relied on global liquidity and exposed to the ups and downs of global business cycles (Alami et al., 2023, p. 1365). Periphery countries lack the autonomy to adjust their monetary policies to their domestic needs, as they are affected by financial cycles originating in the center countries.

The distinctive feature of “subordinate” financialization in peripheral countries, shaped by imperialistic relationships between countries, is its alignment with the directives of the IMF and the World Bank. Especially with the neoliberal reforms in the 1980s, international banks representing the interests of advanced capitalist countries began lending money to poor peripheral countries. This fostered predatory debt relations between the core and the periphery, as the latter required substantial amounts of US dollars to repay their debts, thus becoming increasingly reliant on foreign exchange. Consequently, this reliance on foreign exchange (i.e., dollarization) led to devaluation crises (Radice, 2005). In essence, debt-credit relations within the context of international monetary hierarchies and structural fragilities precipitated a series of crises for DEEs. Examples include Mexico in 1995, East Asia in 1998, and Argentina in 2002 (Radice, 2005).

It is necessary to remark that the US dollar continues to serve as the global reserve currency. As of 2022, centrals banks around globe hold approximately 60 percent of their foreign exchange reserves in U.S. Dollars and 20 percent in Euros. About half of global trade transactions are conducted in dollars. In the foreign exchange markets, the dollar is used in almost 90% of all transactions (Nelson and Weiss, 2022). Currencies of peripheral countries occupy lower positions in the global currency hierarchy, requiring constant adjustment against the dollar and other dominant currencies. Even minor shifts in US monetary policy trigger fluctuations in the financial markets of peripheral countries, impacting hot money and/or capital flows. Within a hierarchical monetary system favoring currencies like the US dollar and Euro, the increasing fragility of capital movements to monetary policies in advanced countries exacerbates the challenges faced by countries in subordinate monetary positions within the global economy.

Lastly, capitalists in core countries often prioritize short-term capital gains over long-term investments in peripheral countries. As a result, capital flows to these regions are highly volatile, driven by interest rates and perceived risk. Short-term investors are quick to withdraw their assets from peripheral economies at the first sign of devaluation risk. It is important to note that financial cycles and speculative activities have significantly increased the vulnerability of peripheral economies in recent decades (Kvangraven, 2021). The mid-2010s saw an outflow of hot money, leading to debt and liquidity issues, along with frequent depreciation of national currencies against the dollar in DEEs. All in all, the monetary policies and interest rates established by core countries perpetuate the fragility of peripheral economies.

6. Conclusion

This article aimed to demonstrate the relevance of dependency theory and modern world-systems analysis in understanding the contemporary dynamics of global capitalism. Rather than engaging in a debate about the validity of these theories, I tackled them as analytical tools for examining recent political and economic developments. Specifically, I proposed to assess the applicability of dependency and world-systems approaches through the cases of primitive accumulation, unequal exchanges, and financial subordination.

Initially, this study interpreted primitive accumulation within the framework of dependency theory, asserting that it is not merely a historical event associated with the transition from feudalism to capitalism but an ongoing process within global capitalism. Today, primitive accumulation manifests through processes of dispossession, privatization, and commodification, particularly facilitated by extractive industries and commodification of natural resources of resources, with multinational corporations (MNCs) predominantly controlling these sectors in Global South countries. Consequently, this exploitation has led to significant profit gains for MNCs based in core countries, while peripheral countries suffer revenue losses and environmental degradation.

Furthermore, this study analyzed unequal exchanges in trade through the perspectives of both dependency and world-systems approaches, emphasizing the continuous transfer of surplus value from the periphery to the core via such exchanges. These unequal exchanges stem from disparities in wages and resource prices between core and peripheral countries, perpetuating hierarchical trade relations and fostering uneven development. Processes of deindustrialization in the West, coupled with neoliberal policies like tariff reduction and trade liberalization in developing countries, have heightened exploitation and surplus transfers, exacerbating polarizations between the center and periphery.

Lastly, the article discussed financial subordination within the context of dependency theory, highlighting the dependency of peripheral "developing and emerging economies" (DEEs) on advanced capitalist countries through financial relations and/or integration. Financialization has led to the proliferation of debt-credit relations and perpetual debt traps for structurally fragile peripheral countries. The neoliberal restructuring of the 1980s facilitated predatory debt relations orchestrated by international banks, rendering peripheral countries increasingly fragile within the global currency hierarchy. The volatility of capital flows and speculative activities have further exacerbated the vulnerability of peripheral economies.

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