Dependency Theory: Wallerstein's Capitalist World Economy

Immanuel Wallerstein first explained economic development in 1974 using a model of the **capitalist world economy**, a global economic system that is based in high-income nations with market economies. As a dependency theorist, Wallerstein traced economic inequality among nations to the colonial era when Europeans first took advantage of the wealth of the rest of the world. He divided today's countries into three types, according to how they fit into the global economy:

1) **Core countries** – These are the rich nations that fuel the world's economy by taking raw materials from around the world and channeling wealth to North America, Europe, Australia, and Japan through multinational corporations that operate worldwide.

2) **Countries of the periphery** – Low-income countries were drawn into the world economy by colonial exploitation, and they continue to support rich ones today by providing inexpensive labor and a large market for industrial products.

3) **Countries of the semiperiphery** – The remaining countries of the world are somewhere in between. They exert more power than peripheral countries, but are dominated to some degree by the core countries.

According to Wallerstein, the world economy benefits rich societies and harms other countries by making them dependent on the core countries. Their dependency is perpetuated by narrow, export-oriented products, such as oil, coffee, and fruit. They lack industrial capacity, so they are caught in a cycle of selling inexpensive raw materials and buying expensive manufactured goods, forever spending more than they take in. As a result, they often have high foreign debt that cripples their economies even further.

In contrast to modernization theory that puts most responsibility for development on individual countries, dependency theory emphasizes the idea that no country develops in isolation because the global economy shapes the destiny of all nations. Critics say that dependency theory wrongly treats wealth as a zero-sum commodity, as if no one gets richer without someone else getting poorer. They say that in reality new wealth is created through ambition, hard work, and new uses of technology, so no developed country "blocks" others from success. Another criticism of dependency theory is that it places too much blame on rich countries that have a long history of supporting economies of nations such as India, South Korea, and Japan, through foreign investments that foster economic growth. Dependency theorists are also criticized for ignoring cultural factors in poor countries that discourage economic growth, such as values that emphasize family and tradition rather than innovation. Corrupt national leaders may also contribute to the poor economic health of countries that lack a strong rule of law, since the country's wealth is squandered or monopolized by the elite.

GROWTH AND DIFFUSION OF INDUSTRIALIZATION

Industry existed in many areas of the world before the late 18th century, but the Industrial Revolution intensified it greatly. Examples of industrial centers before the Industrial Revolution were silk factories in China and metal workshops in India. Goods in many other parts of the world were superior to those produced in Europe, although most of the work was done by hand and power was provided by water