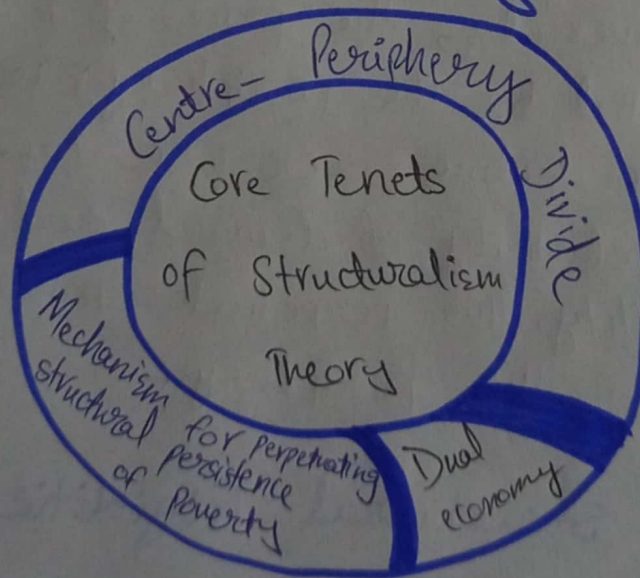


Explain Dependency and Structuralism theories.

Structuralism Theory

structuralism ^{theory} refers to Latin American ^{structuralist} School of thought which contends that poverty and inequality are systemic results of global economic structures not individual national failures. Core elements of structuralism ^{theory} includes centre-periphery divide; mechanism for perpetuating structural persistence of poverty; and internal structural rigidities such as dual economy.

Fig: Core Tenets of Structuralism ^{theory}



Core Tenets of Structuralism Theory

i- Centre-Periphery divide

Latin American Structuralist school of thought divides the global economy into two zones:

a. Centre : Industrialized and technologically advanced nations such as North America, Western Europe.

b. Periphery:

Less developed countries such as global South.

ii. Mechanism for Perpetuating Structural Persistence of Poverty

The prices of manufactured goods (exported by the centre) tend to increase over time due to technological advancements in the centre. Conversely, the prices of primary goods (exported by the periphery) tend to stagnate or decline over time due to low income elasticity of demand, and high price volatility. This perpetuates poverty and inequality in the periphery.

iii. Internal Structural Rigidities

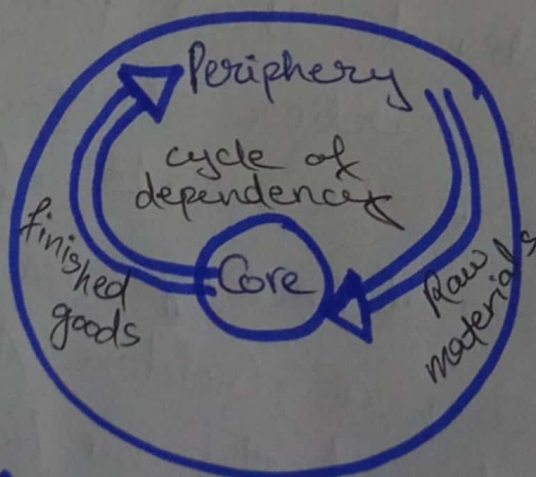
Dual Economy: Poor countries have small, high-productivity sector and vast, low-productivity, traditional sector. This is a significant ^{factor} contributing to poverty and inequality in the periphery.

Dependency Theory: An Extension of Latin American Structuralist School of Thought

Dependency theory contends that underdevelopment in the periphery is the outcome of global capitalism, under which peripheral countries are kept dependent over core.

Dependency theory analyzes how colonial legacy, global economic structure and local power dynamics contribute to ongoing inequality between the core and periphery.

Fig: Core-Periphery structure



Causes of Inequality between the Core and Periphery

Dependency theory explicates causes of this inequality by analyzing colonial legacy,

by analyzing colonial legacy, global economic structure and local power dynamics.

1- Colonial legacy

Colonial legacy provides the foundation for ongoing inequality between the core and periphery. It contributes to this inequality in following ways:-

i- Forced Specialization

The colonial powers forced their colonies to produce only a narrow range of raw materials and cash crops. This was needed by colonizing powers. This created monocultural economies that were lacking self-sufficient development.

ii- Infrastructure for extraction

The colonizing powers developed infrastructure i.e. roads, railways, ports in their colonies. Its main goal was to extract raw materials and cash crops instead of strengthening local economy.

iii- Rise of Corrupt state Apparatus

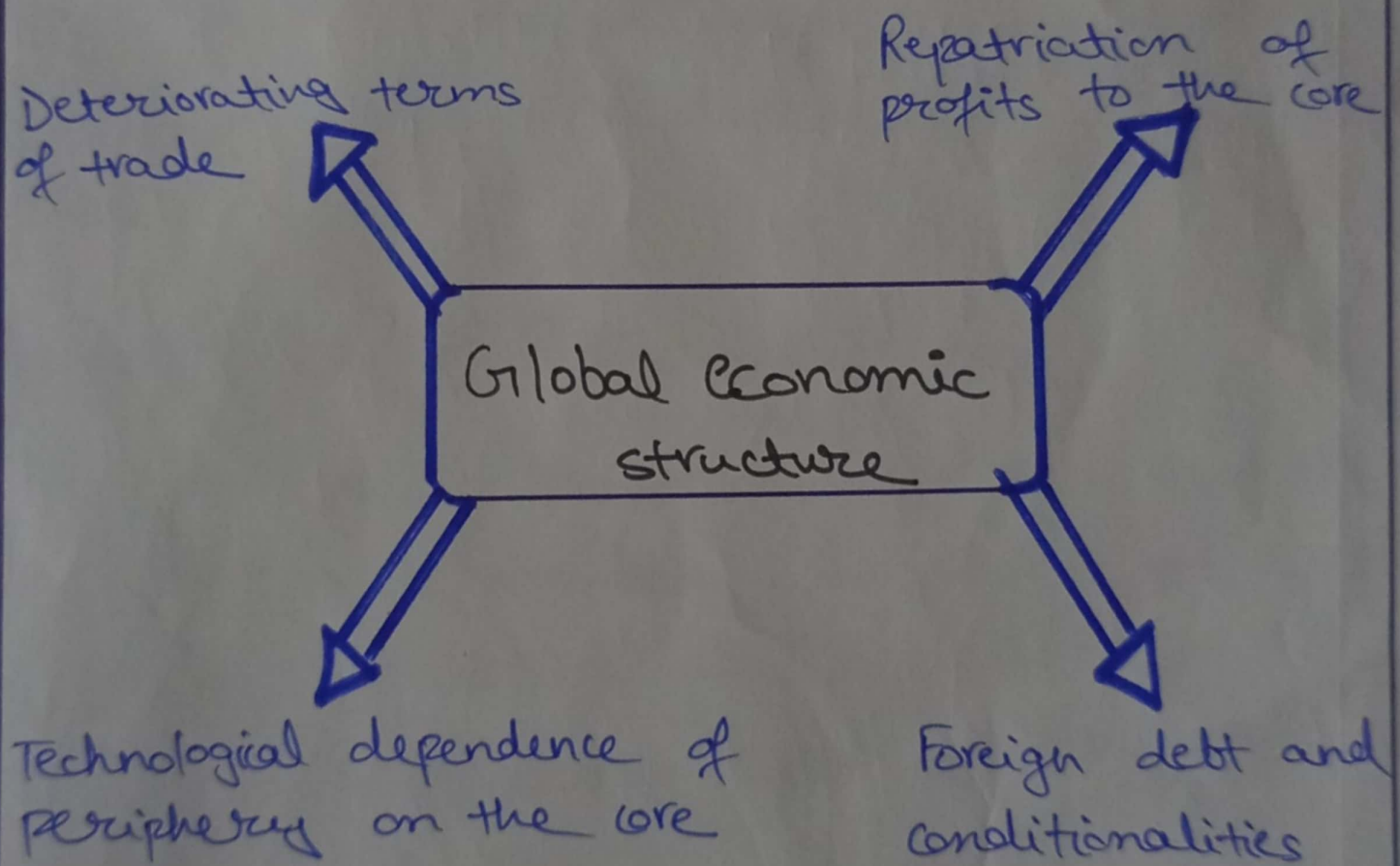
The colonial powers designed political structure of their colonies according to their vested interests. This gave rise to corrupt

state apparatus in these colonized territories.

2. Global Economic Structure

Global economic structure is a form of neo-colonialism that contributes to ongoing inequality between the core and periphery in following ways.

i. Fig: Core elements of Global Economic structure



i- Deteriorating terms of trade

The core extracts raw materials and cheap labour from the periphery and periphery is pushed to purchase finished goods of the core at inflated prices. This creates a cycle of poverty and dependency in the periphery.

ii- Repatriation of Profits to the Core

The core uses Multinational Corporations (MNCs) to exploit the periphery. The profits generated by these corporations are sent back to the core instead of being invested in the periphery's economy.

iii- Technological dependence of the periphery on the core

The periphery is dependent on the technology of the core. Its clear example is that internet infrastructure such as Google cloud, Amazon Web Services (AWS), Microsoft

Azure used by peripheral countries are developed and operated by US-based corporations.

iv. Foreign Debt and Conditionalities

Peripheral countries are often indebted to core and core-controlled institutions like IMF and World Bank. These loans require peripheral countries to adopt structural adjustment policies which benefit global creditors and exacerbate poverty and inequality in periphery (e.g. cutting social spending, privatizing public assets).

3. Political and Internal Causes

Comprador Elite

The wealth and power of this elite is tied to their alliances with the core interests (MNCs). So, they facilitate exploitation of their own nation's resources and labor.

This is a direct cause of inequality in periphery.

Conclusion

Structuralism theory refers to Latin American Structuralist school of thought that explains poverty and inequality are systemic results of global economic structures not individual national failures.

Dependency theory is an extension of Latin American Structuralist school of thought that explains underdevelopment in the periphery is the outcome of global capitalism.