

How global capitalism creates economic zones



**ASSIGN
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Requirement question: According to dependence theory, how does the global capitalist system create distinctive economic zones in the world?

What is the effect on the states?

DEPENDENCE THEORY: HOW GLOBAL CAPITALIST SYSTEM CREATE DISTINCTIVE ECONOMIC ZONES AND.

A theory according to the Oxford dictionaries it is defined as a system of ideas intended to explain something supposition. (Oxford Dictionaries) It is a set of interrelated concepts trying to explain a phenomenon.

Dependence theory is a body of knowledge/perception composed of different works from different contributors. They have varying definitions of *dependence theory*. However, there are three common features to these definitions which most dependency-theorist share.

The first character is that they view the world in two sets of states, the dominant versus dependent or center versus periphery or metropolitan versus satellite. The center/metropolitan/dominant are the developed, industrialized nations/states/countries in the (OECD) Organization of Economic Co-operation and Development while the periphery/satellite/dependent are the third world countries with low per capital also referred to as the undeveloped or developing nations/states. (Ferraro, 2008)

Second, they portray a view that there are external forces such International commodity markets, foreign assistance, and other means that are utilized by the industrialized countries to represent and push for their economic interest

abroad. These are usually unfair to the third world countries in one way or the other. (Ferraro, 2008)

Thirdly, these theorists indicate that the relations between the dominant states and the dependent nations not only do they intensify unequal patterns between the states but also they reinforce unequal patterns and these relationships are dynamic. Moreover, dependency is a very deep-seated historical process rooted in the internationalization of capitalism. (Ferraro, 2008)

The dependency theorists attempts to explain the state of being undeveloped of the third world countries by examining the patterns of interactions arguing that inequality among the nations comes from within or. (Ferraro, 2008) The theorist to this theory holds that international capitalism is the driving force behind dependency relationships the spread of the contemporary world system. (Robbins, 2010)

They explain poverty and slow or no know development among other problems faced by third world countries as having their roots or arising from the global capitalist systems. (Angotti 1981, pp. 124-125; Jackson & Soensen 2010, p. 207). (Ball, 2012) The dependent/periphery states supply raw materials such as minerals, agricultural commodities and labor at a cheap price to the industrialized countries due to the established relationship. The dependent countries also provide market for the manufactured goods, which are sold at high prices, market for the obsolescent technologies and surplus capital for the developed countries. The economy of the dependent states due to this is oriented towards the outside looking up for goods, services,

and money to flow from the developed states to them. Unfortunately, for them the allocation of these resources is determined by the industrialized/dominant states and their economic interest (Ferraro, 2008)

The spread of the capitalist world system has been accompanied by the creation of distinctive patterns of social relations, ways of viewing the world, patterns of health and disease, relationships to the environment and so on. (Robbins, 2010)

How global capitalist system create distinctive economic zones

People from the third world countries/dependent/periphery/satellite states are not responsible for the developmental failures of their societies, a view of the neo-Marxist dependency theory. Andre Gunder Frank one of the leading theorists of dependency theory lack of development in these dependent states is because the Developed nations have deliberately undeveloped them.

Some of the ways Western nations under develop the third world countries include:

- *Global capitalism*- according to Frank argues there exists a global system of capitalism. In this system the developed nations exploits the dependent nations/the periphery. The dependent states are The periphery is kept in a state of dependency and under development kept in an undeveloped state to continue providing cheap raw materials and labour to the developing countries. Historically this relationship of exploitation and dependency occurred through slave

trade and colonization and today though aids given by the developed states to the dependency state, multinational companies practices and through international trading systems which the West dominates (revisionworld)

- *Historical exploitation-slavery and colonialism-* Frank points out that the trade in slavery earned big profits to both the slave traders and the plantation owners who utilized this source of cheap labour in the 18th century. These countries super accumulated capital from this and the capital was invested in industrial revolution and consequently helped kick-start industrial development.

According to Paul Harrison, by use of military technology Europe conquered and colonized many states around the world in the 18th century. The colonies were exploited for raw materials for their industries, cheap food and cheap labor. Some of the land used traditionally for growing food was turned to production of cash crops for export while in other places new farms were created. (revisionworld)

- *Contemporary exploitation-* this is exploitation through international trade. The way world trade is organized today is a legacy of colonialism. Though most of the countries achieved their political independent their economies still is based on exporting cash crop and raw material to the Developed countries and are over-dependent on either one or two products therefore any over production or fall in Western demand of the products can be detrimental to the country's economy. The Western nations further limit the export earnings of dependency states by setting the prices for many of their products and

setting tariffs and quotas, also through taxation of especially manufactured products which limits products entering the First World (revisionworld)

- *Neo colonialism*- new forms of colonization is emerging where at the forefront of this Neo-colonialism are the multinational companies (MNCs). These MNCs exploits the dependency states for cheap raw materials, cheap labour and new markets in search for profits.
- *Official aid*- *official* aids have become another source neo-colonialism. These official aids in form of loans, weapons, medicines and human expertise flows from the developed states to the dependent countries. They create a good pathway of exploitation through imposition of requirements to qualify for the business. Most loans to the Third World involve interest. However, economies grow too slowly and long-term development projects such as irrigation schemes, dams, etc. can be slow to generate the predicted income or may fail. In the meantime, the interest builds up and can eventually outstrip the initial loan.
(revisionworld)

The effects of global capitalism on the states

Global capitalism has created a huge economic zone between the third world countries and the developed countries. Some of the major/common effects of global capitalism on the third world states include.

1. Increase in poverty level, hunger and starvation- capitalism has lead to increase in poverty level in third world countries while the first world countries grow richer and richer.

2. Increased conflicts- capitalism has lead to increase in conflicts between ethnic groups, tribes, countries/states/nations over resources.
3. Deprivation- there is also a lot of deprivation where those in the periphery are deprived essential needs.
4. Social injustice and decline in justice- Robert Reich in his work *How Capitalism is Killing Democracy* observes that democracy is being snuffed out by the pursuit of profit. (Reich, 2007)
5. Inequality-inequality is increasing almost everywhere in the postindustrial capitalist world due to capitalism.
6. Oppression- the trade tariffs and quotas put in place by the third world countries are oppressive and exploitive to the world in today's world system driven by capitalism.
7. Exploitation- the third world countries are exploited by the developed countries for cheap labour and resources in return for the obsolete technology of the West. (Economics online)
8. Under-development- capitalism and imperialism are perceived as the major cause of the current underdevelopment in Africa among other third world countries.

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