

T.C.  
MARMARA ÜNİVERSİTESİ  
SOSYAL BİLİMLER ENSTİTÜSÜ  
SİYASET BİLİMİ VE ULUSLARARASI İLİŞKİLER ANABİLİM DALI  
ULUSLARARASI İLİŞKİLER BİLİM DALI

**DEPENDENCY THEORY RE-VISITED: THE CASE OF LATIN  
AMERICA**

Yüksek Lisans Tezi

NİLAY ÖKTEN

İstanbul, 2020

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Danışman: Dr. EMREHAN ZEYBEKOĞLU

İstanbul, 2020

**ÖZ**  
**BAĞIMLILIK KURAMI: LATİN AMERİKA ÖRNEĞİ**

**ÖKTEN, NİLAY**

**Yüksek Lisans, Siyaset Bilimi Ve Uluslararası İlişkiler Anabilim Dalı**

**Tez Danışmanı: Dr. Emrehan Zeybekoğlu**

**2020**

Bu tezde Bağımlılık kuramı ve Latin Amerika politik ekonomisi incelenmiştir. Bağımlılık kuramı çerçevesinde Latin Amerika'nın dünya ekonomik sistemindeki yeri araştırılmış ve Bağımlılık teorisinin kıtanın politik ekonomisini analiz etmekte geçerliliğini koruduğu sonucuna varılmıştır. Nitel ve nicel verilerle desteklenen bu inceleme teorisinin argümanlarına dayanarak Latin Amerika'nın ekonomi politikasını analiz etmiştir.

**Anahtar Kelimeler: Bağımlılık kuramı, Latin Amerika, Dünya-Sistemleri analizi, Kapitalist Dünya Ekonomisi**

## **ABSTRACT**

### **DEPENDENCY THEORY RE-VISITED: THE CASE OF LATIN AMERICA**

**ÖKTEN, NİLAY**

**M.A., Department of International Relations**

**Supervisor: Dr. Emrehan Zeybekođlu**

**2020**

This thesis focuses on Dependency Theory in the context of Latin America. Within the framework of Dependency theory, the place of Latin America in the world economic system has been researched and it has been concluded that Dependency theory remains valid in analyzing the political economy of the continent. This work, supported by qualitative and quantitative data, analyzed the political economy of Latin America based on the arguments of the theory.

**Keywords: Dependency theory, Latin America, World-Systems analysis, Capitalist World Economy**

*En kıymetlilerim için...*

*Kalbimin bir olduđu dünya güzeli annem Gülseren'e,*

*Aklımın bir olduđu mükemmel adam, sevgili babam Recep'e...*

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## **ABBREVIATIONS**

AD	Accion Democratica
AFTA	ASEAN Free Trade Area
ALBA	Bolivarian Alliance for Latin America
BRICS	Brazil Russia India China South Africa
CAFTA	Central America Free Trade Agreement
CARICOM	Caribbean Community
CONAIE	The Ecuadorian Confederation of Indigenous Nations
COPEI	Comite de Organizaçao Politica Eleitoral Indepente
ECLA	Economic Commission for Latin America
ENARSA	Argentina State Oil Company
EZLN	Ejercito Zapatista de Liberacion Nacional
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GAT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
ILPES	Instituto Latinamericano de Plannification Economia y Social
IMF	International Monetary Fund
ISEB	Instituto Superior de Estudios Brasileiros
MAS	Movement Towards Socialism
MERCOSUR	South America Common Market
MST	Brazilian Landless Workers Movement
MVR	Fifth Republican Movement Party
NAFTA	North American Free Trade Agreement

NATO	North Atlantic Treaty Organization
NGO	Non-governmental Organizations
OAS	Organization of The United States
OPEC	Organization of The Petroleum Exporting Countries
PANES	National Social Emergency Program
PdVSA	Venezuelan State Oil Company
PETROBRAS	Brazil State Oil Company
PIT	Plenario Inter Sindical de Trabajadores
PSUV	Venezuelan United Socialist Party
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
WB	World Bank
WTO	World Trade Organization
WWI	World War I
WWII	World War II

## **1. INTRODUCTION**

My main aim in this thesis is to examine the intellectual background of Dependency theory in depth and to analyze Latin American political economy within this framework. In accordance with this purpose, the progress of the thesis is introduced in the introductory section and the preliminary ideas required for the first section are shared. After introducing the basic sociological idea, Dependency theory and its arguments are analyzed in the second part. In this section, the importance of theoretical framework and ideas of leading theorists are examined, and concepts are introduced. In this section, the intellectual development of the theory in Latin America and the concrete structure that follows it are discussed. In the last subtitle where the concept of New Dependency is introduced, the idea is to lay the ground for the section that follows. In the third main chapter, the concepts of development and globalization are discussed, and historical developments of these concepts are explained. The globalization section, in which theoretical arguments are also analyzed, contains basic ideas that will illuminate the next part, the globalization of Latin America. The fourth main topic, Dependency Theory The Case of Latin America, presents the economic and political indicators of the Latin American continent, and the validity of the Dependency theory is discussed in the light of the relevant data. In this header, where the data of many Latin American countries are shared, important data were obtained on the way to the conclusion section with a more detailed analysis of Venezuela and Argentina. After summarizing the economic paradigm, the economic policy that can be explained by Dependency theory of Latin America is presented in the conclusion.

There are more than one reason why the subject of this thesis needs to be examined in depth. First of all, it is aimed to find the place of Dependency Theory in the literature and to show that it is enlightening for many regions in today's political economy research. It was aimed to discover the economic stages of Latin America throughout its history and their place in the world system, and an answer was sought to the question of how to explain the economic politics within the framework of Dependency Theory.

For this purpose, both quantitative and qualitative sources were used. The economic performances of the continent and countries have been observed with quantitative data

and interpreted with a literature review. Besides primary sources, secondary sources were also used and both original and translated works were consulted. The hypothesis of which dependency theory, in fact, is still an effective perspective and an appropriate framework for understanding and explaining the political economy of Latin America in the globalized unipolar world structure which ended after the first decade of the 21st century was confirmed by numerical data and literature review.

On the way to find an answer to the question of would it be possible to explain the political economic structure of Latin America in the globalized unipolar world which is assumed as ended in the beginning of the second decade of 21st century on the basis of Dependency Theory, it is concluded with the statement that the political economy of the Latin America in the globalized unipolar world can definitely be read, understood and explained through Dependency Theory.

The reason why this study has historically limited the research with the 2008 world economic crisis is because the unipolar world order has been replaced by a new order defined as multipolar - or apolar. Since the hegemonic relations emerge with a different character every time the hegemonic country changes, the political economy of the period after the end of the US hegemony with the 2008 world economic crisis will be the subject of new studies for both Latin America and other Third World countries<sup>1</sup>.

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<sup>1</sup> “According to the dependency theory, the increase in FDI creates a dependent development because the investor's profit is higher than the cost of the investment. Central countries profit from the peripheral countries. “According to official statistics, China accounted for just 1.1% of inflows to the region. When the value of mergers and acquisitions in 2016 is considered, China was the fourth largest investor in the region. Given the major operations that China has undertaken in the first half of 2017, its share is expected to increase next year.” (ECLAC, 2017, p. 13) China's active global stance can also be observed by the increase in its presence in Latin America. This noticeable increase in the current relations of China and Latin America was not the case in the past. In the aftermath of the Cold War, China began to make the Chinese presence more important with its efficiency in areas such as technology transfer, investment, infrastructure assistance and trade. Its soft power policies have been widely felt. Latin America and China developed different ties in the history of bilateral relations in which the Cold War could be taken as a milestone. Latin America is important for China in terms of natural resources and market. During Obama's Asian pivot strategy, China has also been active in Latin America. Donald Trump's rhetoric in the election campaign has been worrying for Latin America, which has made China's position in the region more strategic. Venezuela has significant oil and gas reserves, while Brazil is at the forefront of soybean production and freshwater reserves. Mexico, Bolivia, Argentina, Peru, Chile are important for the natural resources demanded by China, the USA and the EU. Brazil has a very high share in coffee sugar production; Argentina, Ecuador, Venezuela, Brazil in oil reserves; Chile, Brazil, Peru in the mining industry; Argentine in soybean and vegetable oil production; Chile in copper mine reserve, which makes the region very attractive. At this point, the increasing trade deficit between China and Latin America

In the second half of the 20th century, many of the imperialist colonial powers gradually began to lose their influence on their colonies. There was a serious of independence movements in Asia and Africa. These independence movements in some cases caused wars between colonial powers and colonies. In order to understand the fundamentals of the theory of dependency, it is necessary to explain the ideas of the scholars who laid the foundations of sociology and to make sense of the new theories put forward after these ideas. For this reason, I would like to talk about early sociologists and their problematique. In this way, it will be possible to understand dependency theory and those who developed it.

The evolutionist view begins when Darwin defines this term as a process of change and development. This way of thinking affected the social sciences. These theories, on which the theory of modernization is based, described the development line and took the aim of progress. Auguste Comte, one of the most important representatives of the classical organism approach in sociology, made the science classification as mathematics, astronomy, physics, chemistry, biology and sociology. Stating that biology is a science that prepares sociology, Comte stated that society is an organic whole and that change in society takes place on a line. Comte, who likens society to biological organism, achieved a real connection between the stationary analysis of social organism in social science and the individual organism in biology (Comte, 2009, pp. 78-79). Comte, in his view, also took the foundations of the evolutionist view in society. Comte, together with the evolutionist view, described social change by the law of three stages. The three states are composed of theological, metaphysical and positive stages and explained that they will go through these stages in their societies as in individuals and sciences. Each stage is a necessary result of the previous step and prepares the next step. Auguste Comte's view on social change is positivist, organisist, and evolutionist, and is shaped by determinism (Comte, 2009, pp. 85-87). Comte also proposed a comparative method by explaining that social change is a product of the forces coming from within society and is

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poses a problem. Trump-led US policies such as building a barrier on the US-Mexico border, charging tariffs on Mexican goods, revising the NAFTA, annulling the normalization process with Cuba have created concerns and tensions in the region. China wanted to fill the gap. Latin America should not choose a side between these two giants clashing with each other and follow the path of its own and overcome this dependent situation with the least damage to its economy with appropriate and short-term moves and minimize unbalanced dependent relations.” (Yıldız, 2019, pp. 8-10)

a derivative of human nature. Founder of sociology as a branch of science and at the same time as the basis of the positivist movement in philosophy, Comte shaped social change as an evolutionist perspective by taking Western societies as the center. It defines the evolution of human mind, sciences and societies as theological, then metaphysical and last stage as positive. For example, Comte, who states that sociology is in a more metaphysical phase, states that sociology will pass through the last stage with positivism (Comte, 2009, pp. 157-158).

Emile Durkheim redefined social change in the context of the division of labor and discussed this development with the transition from mechanical solidarity to organic solidarity (Durkheim, 2013, p. 117). Durkheim divides societies into two as “traditional” and “modern” societies. In traditional societies, people are part of the social being and have lost their individuality and the division of labor is very weak. In addition, individuals are undifferentiated and constitute a homogeneous structure (Durkheim, 1982, p. 121). In this case, the population is challenging the transition from traditional to modern society. With the increase in population, the problem of division of scarce resources occurs and leads to the emergence of new business lines. As a result of the differentiation of the social division of labor, they start to work on issues that are not similar to the previous period. (Durkheim, 2013, p. 116). This solidarity is a response to industrial societies and is a more contemporary structure. Here, the population is the variable population growth that leads to organic solidarity and the resulting division of labor. Durkheim's mechanical solidarity ties the individual directly to society, whereas the basis of organic solidarity is the division of labor and social differentiation (Durkheim, 2013, p. 134). This form of solidarity in society determines the autonomous areas of individuals, and the relationship between them constitutes social cohesion. Looking at how Durkheim examines social division of labor, there is a functionary moral realism that forces individuals to specialize. In other words, Durkheim does not exclude morality from science and seeks to establish a moral science and a social phenomenon that has a moral character, and this becomes a division of social work. Durkheim described social change as a development from traditional society to modern society, and explained social variables while explaining social development (Durkheim, 1982, p. 20).

British sociologist and philosopher Herbert Spencer drew a parallel between society and living organisms and applied the evolution of his theory to the theory of social change. He explained this similarity between organism and society as both growing along the lines of life and showing a structural improvement. As the living organism grows in society, the parts that make it are different. Parts that are similar to each other have different qualifications. It occurs in interdependence between different activities, and the presence of one is connected to the other. In the end, all these living things make up a whole (Spencer, 1873, pp. 58-60). Spencer gained popularity using the term “evolution”, which played a central role in his philosophy. It is Herbert Spencer that claimed that the best one will survive. The understanding of evolution is a continuous process. Spencer's views have had a great impact. He has seen the source of change within the society itself. Spencer, who defines evolution as living organisms by applying evolution to societal change, is considered a thinker of Social Darwinism because of its being close to Darwin's theory (Spencer, 1873, pp. 62,63,228).

In order to understand the changes taking place in the West, Weber studied the economy and culture of the West and came to the view that capitalist development was specific to Europe. He determined the effect of internal dynamics on society and cultural factors as variables (Weber, 1949, p. 15). He considered the social change in the West as a cultural change and social change, which goes on to a linear line and which extends to rationality. Considering modernity as a cultural phenomenon, Weber stated that the distinctive feature of the cultural structure of the West from other societies is rationality. The concept of rationality, which is socially determined by Western societies and causes cultural change, has been determined in Protestantism, which is the dominant Christian sect of these countries. In general, capitalism has emerged through the rationalization of modern life and the economic sphere in particular. Technology, which is an important variable in the emergence of capitalism, has been the rationalization of the technique, namely the application of science to the technique (Weber, 1949, p. 85). According to Weber, bureaucracy is the tool that provides the most effective ways to reach the assigned objectives (Weber, 1949, p. 170). The reason why other societies are not developed like the West is the connection with religion, which is not a cultural but an internal variable. He argued that it was wrong to link the emergence of modern capitalism, contrary to

Marx, only to economic reasons, and added that the spirit of reform was the determinant in the birth of capitalism. The method Weber uses gives importance to values in the formation of social structures (Weber, 1949, pp. iv, 96-98). Separating societies as traditional and modern, Weber introduced the concept of rationalization to the basis of the theory of social change while going from the traditional to the modern.

The idea of this 'development' that emerged in the post-war period in the context of the east / west conflict and the process of decolonization, that is, the idea of providing financial and technical assistance overseas to the economically backward countries of the Third World is controversial. The theory of modernization tried to prove that there parallelism between development and modernization. The answer of Modernization theory to the question of how the modern human should be is expressed in the book of Randall and Theobald as: "modern man is a person who can adapt to all kinds of different conditions, makes plans for effective, long-term goals, and the one who believes that everything in the world can change, and does not resist changes" (Randall & Theobald, 1985, 1998, pp. 21-22). On the other hand, traditional humans were described with opposite features; nervous, vain, a person without aiming to reach a goal and having personality problems (Randall & Theobald, 1985, 1998, p. 23). Thus, it is obvious that Modernization theory perceives development one-dimensional. Modernization theory claims that underdeveloped states are not developed enough because of their cultures, internal systems and dynamics. It is advocated that undeveloped countries could achieve development if they follow an evolutionary way exactly like developed countries which followed the same way before<sup>2</sup>. Modernization theory states that this process is inevitable and global for all. The fact that the theory of modernization is so ethno-centric makes the theory very problematic. Another problem related to the theory is neglecting economic conditions and the world economic order. Differences inside a society and among societies are ignored in explaining the main reasons for underdevelopment. Instead, it is

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<sup>2</sup> It has been argued that the idea of 'development' was invented in the 1940s as part of a geopolitical project that led to the elimination of the trap of communism which can affect countries that were colonized before and to guide these countries into a capitalist path that was already followed by capitalist democracies in Western Europe and North America. For this reason, 'development' is considered to be a form of imperialism, the imposition of a developing idea on the interests of imperial administration.

accepted that every type of underdevelopment is assumed because of cultural features of societies.

On the other hand, Marxist theory tries to explain underdevelopment with “conflicting interests of classes” and “mode of production”. This approach is the exact opposite of the theory of Modernization. It is presumed that capitalism will spread to underdeveloped regions and this expansion is assumed to lead to capitalist mode of production in underdeveloped countries. Capitalism causes colonized countries to create their own national bourgeoisies and proletarian classes. According to Marx and Engels, rapid developments in means of production and advances in communication technologies lead even the barbaric societies to modernization (Blomström & Hettne, 1984, p. 28). Dependency theory was greatly influenced by Marxism, neo-Marxism, and Lenin's approach to imperialism. The world capitalist process has brought the development of core countries and has led to an increasing decline in the peripheral countries. As Karl Marx predicted, imperialist capitalism has led to the deterioration of the situation of underdeveloped countries, rather than contributing to the development of them. Andre Gunder Frank, one of the leading names in the theory of Dependency, defined this situation as "development of underdevelopment". While the peripheral countries which have become dependent on the core countries continue their underdeveloped position, the central countries that exploit all the resources of peripheries continue to grow rapidly. The peripheral countries, which are rich in terms of resources, become relatively underdeveloped, meanwhile core countries with no resources continue to grow. Therefore, it can be said that the development gap between the developed countries and the underdeveloped countries is growing rapidly.

Dependency theory was formed around the views of Andre Gunder Frank, Fernando Henrique Cardoso, Enzo Faletto, and formed different schools within itself. This study will begin with the views of all these names and others who have contributed a lot to the theory such as Stiglitz, Wallerstein and Paul Sweezy.

According to the dependency theorists, the reason for the backwardness of the Third World countries is the developed countries. The failure to develop these countries can be understood by looking at the historical processes rather than their internal

dynamics. The non-Western societies had to struggle with problems such as civil wars and coups under the intervention of Western states as colonial or semi-colonial societies. The reason for the political instability in these countries is the fact that they cannot have a single economic, cultural structure resulting from the interventions. The main reason for the richness of developed countries is that they exploit undeveloped countries. As long as there are capitalist relations, unequal development will be inevitable and polarization will continue to exist. As long as the Third World societies follow capitalist countries, they will not be able to reach the status of an advanced country.

It is the main assumption of this theory that there is a dependence relationship between the developed countries and the underdeveloped ones. It is emphasized that the dependency relationship will prevent the development of underdeveloped countries. As the dependency relationship continues, development and enrichment of the peripheral countries is not possible.

According to Samir Amin, one of the mentors of the theory, the basis of the problem is dependence on core countries. And the way to get rid of this dependency is to completely terminate the relations of the periphery with the core. In the political, economic and cultural sphere, the detachment from the metropolis should be realized. In this case, the supremacy and polarization of the core arising from exploitation will disappear.

Dependency theory was developed based on the assumption that the foreign policies of developing and underdeveloped countries, which are economically and otherwise dependent on developed countries, cannot be independent. Accordingly, developed countries have intense political controls on undeveloped countries. Developed countries do not make this control explicitly by expressing their political demands, but they can do so by applying economic pressure. According to Amin, the establishment of new capitalist centers in the imperialist era is closed and socialist revolution is necessary. Satellite socialist revolution is not different from national liberation.

The economic development of the underdeveloped countries is absolutely contrary to the dominant interests of the developed countries. The underdeveloped world, which gave many important raw materials to industrialized countries and which provided

great profits and investment fields to their companies, has always been an indispensable basis for the highly developed capitalist West. Paul Baran attributed the backwardness of underdeveloped countries to Western European capitalism.

Their dependence on international credit and aid organizations for the development of backward countries after the 1960s has increased. However, the fact that developed countries have more power in these institutions makes it easier to control and suppress underdeveloped countries. This gives advantages to developed countries in favor of their competitive advantages in international trade and increases the dependence on developing countries in economic and political direction. According to Baran, trade relations between underdeveloped countries and developed capitalist countries allow raw materials to be provided to industrialized countries. On the other hand, the transfer of the profits from investments in Third World countries to the core countries may transform the less developed countries into investment and deprive them of resources and transfer resources to the core countries. Baran argued that the development of a country in the capitalist system would necessarily lead to the backwardness of other countries. In other words, it is claimed that capitalism raises the inability to develop. Andre Gunder Frank argues that the process of development and underdevelopment begins with the mercantilist and capitalist development of the European nations, and that underdevelopment has emerged as a result of industrial capitalism and mercantilist development. While Latin American dependency theorists mainly accept the effects of internal and external factors on backwardness, the vast majority of these factors are linked to the conscious economic practices implemented by developed countries. The theory of dependency suggests that the system leads to the establishment of mechanisms that will lead to the further development of developed countries.

## 2. DEPENDENCY THEORY

### 2.1. THEORETICAL BACKGROUND

Karl Marx dealt with the historical development process with a materialist approach. According to Marxist political economy, the materialist approach is understood if the concepts of "forces of production" and "relations of production" are understood (O'Neill, 1974, pp. 115-116). All material requirements for production constitute the forces of production. The relations established during and after production constitute the relations of production. These two notions together form the mode of production. The economic structure of a society is formed on the basis of the mode of production. The entire historical process is the product of conflicts on these concepts (Schweickart, Lawler, Ticktin, & Ollman, 1998, pp. 61-63). The reason for the slow development in a society is the incompatibility between the forces of production and the relations of production in that society. The struggle between the different classes to get the production forces causes changes in the mode of production. According to Marx, societies, respectively, reach the socialist order through the stages of primitive, slave, feudal, capitalist, socialist and classless communist society (Childe, 1954, pp. 117-123) and this is seen as a highly deterministic approach. According to Carnoy, Karl Marx argued that imperialism, which emerged for the growth and development of the capitalist system, gave rise to colonialism and colonialism resulted in dependency (Carnoy, 1984, p. 172).

At this point, it is necessary to talk about Lenin's theory that examines imperialism and underdevelopment. Imperialism, as he claimed in his book *Imperialism: The Highest Stage of Capitalism*, does not create a capitalist development process in the underdeveloped country it colonizes (Lenin, 1917, pp. 61-63). Capitalist forces tend to invest in underdeveloped continents such as Africa and Asia, where labor is cheap. Imperialism has intensified the struggle for independence in the colonies. However, Lenin mentions the need for a political party to vanguard the proletarian class. According to him the reason for the success of the 1917 revolution is that the Socialist Party was the leader of the movement.

After Lenin's Marxist interpretation of the development of the theory of dependence, the neo-Marxist thinker Paul Baran discusses the competitiveness of local capitalists and capitalists in the core countries in his famous work *The Political Economy of Growth*. Paul Baran has proved that the great role of the local bourgeoisie in the development of the country does not exist. This is because the chance of local capitalists to be successful against the capitalists in the core countries decreases due to competition inequality between them (Randall & Theobald, 1985, 1998, p. 129). The most important point separating Baran from Orthodox Marxist theory is that he sees the socialist revolution as the only way to avoid underdevelopment (Randall & Theobald, 1985, 1998, p. 129). According to Baran, economic development in underdeveloped countries is in fact opposed to the dominant interests of advanced capitalist countries. The backward world, which provides a wide range of important raw materials to the industrialized countries and to the firms of these countries to a great extent in terms of interest and investment, has always represented an indispensable living space for the capitalist West.

The developmental effects of capitalism on underdeveloped countries have not been positive despite the foreign capital entering these countries. When the dominant imperialist powers need social support in the countries they colonize, they cooperate with the ruling classes of the old system against the larger layers of society (Cardoso & Faletto, 1977, pp. 12-13). Lenin argued that the capitalist colonialists had established collaborative relations with the colonial bourgeois class in the colonies against the people. According to Lenin, the destruction of these colonial ties is the most necessary condition for development. A directly proportional relationship between capitalism and development, as Orthodox Marxist theory claimed, can only be possible if these links are broken and less developed countries gain political independence (Blomström & Hettne, 1984, p. 11).

According to Baran, the exploitation of underdeveloped countries played a vital role in the development of capitalism in the West and prevented the development of these countries themselves. Baran criticizes modernists, particularly Rostow, who advocate the development of underdeveloped countries with capitalist development: the Rostowian theory reduces economic growth to a single pattern.

Andre Gunder Frank, one of the most important names in the theory of Dependency, rejects Rostow's thesis. Frank claims that the realities and histories of societies do not consist of these stages. Rostow claims that there was not a history of society before the first stage which he calls traditional society. He says that all developed societies are underdeveloped in the past. But at this point something very important is ignored by Rostow, what he claims is not real. According to Frank, the history of underdeveloped societies today is rejected by him (Frank, 1969, pp. 39-40). For Frank, underdevelopment is an artificial phenomenon. An example of this could be the destruction of the Inca and Aztec societies that established the most advanced civilizations of their time. The integration of the underdeveloped countries into the mercantilist system and then to the capitalist world system is the main reason for underdevelopment in depressed areas. In his book, Paul Baran says that a country like India which experienced being a colony of a developed country can never reach a high level of welfare (Baran, 1973, pp. 282-283).

Immanuel Wallerstein's "Modern World-Systems" theory is another perspective that tries to explain the concepts of dependency and backwardness. The Modern World-System has emerged as a Capitalist World-Economy. Immanuel Wallerstein described a world-system as follows;

...in order to describe the origins and initial workings of a world-system, I have had to argue a certain conception of a world-system. A world-system is a social system, one that has boundaries, structures, member groups, rules of legitimation, and coherence. Its life is made up of the conflicting forces which hold it together by tension and tear it apart as each group seeks eternally to remold it to its advantage. It has the characteristics of an organism, in that it has a life-span over which its characteristics change in some respects and remain stable in others. One can define its structures as being at different times strong or weak in terms of the internal logic of its functioning (Wallerstein, 1976, p. 229).

In his theory, Wallerstein says that the world-system is rooted in internal dynamic rather than external factors (Wallerstein, 1974, p. 347). Today, the world is a place where various countries are economically dependent on each other. This is called interdependency. According to Wallerstein, the world-system should be examined in two

different groups: 'world economy' and 'world empire'. Changes in economic dynamics arose with the long 16th century<sup>3</sup> that eventually created a Capitalist World Economy. World-economies then are divided into core-states and peripheral areas.

I do not say peripheral states because one characteristic of a peripheral area is that the indigenous state is weak, ranging from its nonexistence (that is, a colonial situation) to one with a low degree of autonomy (that is, a neo-colonial situation). There are also semiperipheral areas which are in between the core and the periphery on a series of dimensions, such as the complexity of economic activities, strength of the state machinery, cultural integrity, etc. Some of these areas had been core-areas of earlier versions of a given world-economy. Some had been peripheral areas that were later promoted, so to speak, as a result of the changing geopolitics of an expanding world-economy (Wallerstein, 1976, p. 22).

What distinguishes these two systems is that the world-economy does not have a political dimension and that the world empire has a political character. The world-economy is therefore a fragile and unstable structure. It can be easily transformed into a world empire. Wallerstein exemplifies Chinese and Roman Empires at this point. These systems are structures transformed from the world-economy to the world empire (Wallerstein, 1974, p. 63). According to Wallerstein, it is important to conquer the countries of the world in the formation of the world empire system. However, there is no process of conquering the modern world economy. The superior state in the modern world-system, like America and England, tries to seize the intercontinental trade that connects the peripheral countries (Chase-Dunn & Willard, 1994, pp. 120-121). Because of this difference, the supreme state in the capitalist world-system tries to prevent the formation of the empire and takes care to fulfill the requirements for the survival of the interstate system. Christopher Chase-Dunn analyzed the hierarchy between core and

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<sup>3</sup> Fernand Braudel, developed world-system analysis in which world systems should be taken as the main unit of analysis rather than states, uni-disciplinary approach should be adopted and lines and diversities between social studies should be abolished. The aim was to grasp the social in its totality. Braudel criticised traditional history that focused on short term, he believed that *longue-duree* approach which focuses on continuities as central to history should be implemented in analyzing social sciences. The development of modern world system lasted centuries. Wallerstein divides this process into four stages, first two stages, named as long 16th century, enabled merchants to accumulate profit through agricultural capitalism; third and the fourth stages, 18th century and beyond, are represented by shift from agricultural capitalism to industrial capitalism and the world system became truly global in the 20th century (Wallerstein, 2004, p. Ch.2).

periphery. The state-based world-systems rests on intersocietal hierarchy which is composed of core, peripheral and semi-peripheral societies. Developmental cycles such as Juglar cycles, Kuznet cycles and Kondratieff Cycles and long term trends such as population growth, technological change, commodification, proletarianization are also the backbones of the world-systems (Chase-Dunn, 1978, pp. 159-176).

It is obviously necessary to talk about core-periphery relations and the evolution of the concept of hegemony in order to understand the incorporation process and why it is needed. Throughout history hegemonic position was experienced firstly by the Genoese in the 17th century, by the Netherlands in the 18th century, then by Britain in the 19th century, and finally by the US in the 20th century. Hegemony can be explained as the combination of military power and economic competitive advantage. Hegemonic core produces cheaply and protects its profit with coercive power when it is needed. According to Marx, mode of production should be studied where there is fully developed mode of production and labor is free, while Wallerstein claims that mode of production is a feature of World-systems as a whole. Chase-Dunn advocates that political structure of capitalist mode of production is formally sovereign states; states are there for benefit of some classes. According to Karl Marx, a worker at a workplace does not have the means of production he produces and the material he produces, so he becomes alienated against his own product. Because the workplace where the worker works and the product he produces belong to the boss. The worker is in a weak position, far from controlling the work process, and thus alienated from the product he produces. In a position where tasks are specialized and standardized, work becomes meaningless. Generally, because of the division of labor at work, the worker becomes isolated. As a result of the division of labor, the worker only communicates with his / her business group. There will be no environment where the worker will improve himself with the feeling of alienation (Marx, 1995, pp. 67-68).

The 20th century was a revolutionary period as Giovanni Arrighi explains. That was a period of integrated world market, new advances in technology and information. However, it is a mistake to accept the 1970s as the time of establishment of integrated single market; but it was the 1870s that such an integration among markets was witnessed (Arrighi, March-April 2005).

As Hobsbawm claims in detail, British domestic market provided a base for industrial economy and stimulus for improvement of transport, coal industry and technological innovations. Export market with the support of government made a significant breakthrough. Cotton industry was a leading sector in exports. The Government was providing support for manufacturers. There were no requirements for industrial activities, being familiar to devices were enough. Transportation and communication were cheap and diminished the costs of moving goods. Britain formed a single national market and developed manufacturing and commercial sectors. Thus, Britain was able to transfer from non-industrial to industrial pursuits. Industrial Revolution took place after the 1740s, when domestic economic growth combined with the expansion of international economy (Hobsbawm, 1999, pp. 34-78).

Arrighi expresses that British hegemony was not a global blind market. There was a British hegemony in the European balance of power, British leadership in the liberalization of trade and in the empire-building in the non-Western world. Europe experienced such a long peace after the Napoleonic wars, and London was the global center of trade. However, that golden age of British hegemony was undermined by a serious deflation crisis in 1873-1896.

By the end of WWI Britain was indebted and had huge loan to US. That was how hegemony shifted to US. The period of US hegemony was very different from British hegemony. There was a creation of world government; the UN and the monetary system was administrated by the Bretton Woods system which has two pillars; fixed exchange rate to stabilize trade and investment and 'most favored nation' principle to help foster free trade. With coming of Thatcher and Reagan into the office in Britain and the US; neoliberal policies of monetarism, division of labor, transnational production, post-fordist attempts (fordism can be explained as the mass production-mass consumption method, global trade and internationalization of production; the slogan was that 'every labor in Ford company should have enough household to purchase a Ford car' ) were adopted. There was a very important point that was forgotten by US hegemony: maybe capital is mobile worldwide but labor is not and that led to xenophobia (Arrighi, May-June 2005).

If I may say, I would claim that the source which has led to undermining of British hegemony underlies the concept of 'embeddedness'. Economy was not embedded in social relations instead social relations were embedded in economy. That was the attempt to turn every social relation into a commodity. Land was turned into private property. Labor was turned into market labor. Self-regulating market, therefore, started to be criticized. Contrary to human nature, everyone was going to be more and more individualized. Privatization of health, education, etc. led everything to be made according to the logic of profit which is very dangerous. It was obviously going to take reaction from society.

There are three main costs for capitalist producers; remuneration of personnel, purchasing input materials and paying taxes. Capitalists want to reduce these production costs. Although these costs are tried to be reduced, there has been a rising trend worldwide. Anti-systemic movements' immediate aim was coming to power in the state structure, and that was how 1968 World Revolution show up. It was a rejection of US hegemonic power. World has been experiencing a transition period with the struggle between left-values and neoliberalism.

In order to overcome this systemic crisis of the capitalist mode of production, the expansionist market was adopted. It is very obvious that capitalism needs expansion physically. By using term physical expansion, I refer to geographical scope of the market. The Capitalist World Economy attempts to find new areas to transform them into markets for its need to sell and produce. 'Endless accumulation of capital' may merely be maintained as long as new markets are added to the system. Through expanding the boundaries of the system to the new zones which is simply called 'incorporation', capitalist system creates low-cost production spheres.

According to Wallerstein, the world has had a capitalist economy since the 16th century and geographically comprises three regions: the center, the semi-periphery and the periphery. The center dominates the system; filter the economic surplus-value of the periphery and the semi-periphery. National states are not societies that have a separate or parallel history. They are parts that reflect a whole. The different countries of the world play different roles in the capitalist world economy. They have different internal socio-economic profiles and different policies. In order to understand a country's internal class

conflict and its political struggles, it must first be placed in the world economy. Thus, we can understand the ways in which a variety of political and cultural initiatives to the advantage or disadvantage of certain groups within a given state can change or hold a position within this world economy. Socio-economic structure is determined by world market opportunities and technological production opportunities. The state structures and policies are in accordance with the dominant class interests.

Wallerstein says that the growth of the modern world system took place between 1450- 1640. Between these dates, the world capitalist economic system is in its first form. England, Dutch and France are competing core countries of this period. These countries have strong central political systems as well as being predominant in industrialization. The Netherlands, which lacked such a government system, lagged behind Britain and France because Britain and France had a strong place in world hegemony during the wars they waged over the 1700s. Spain and Portugal, which were the leaders of the 1500s, declined to semi peripheral position. During the 17th century, the Eastern European countries that met the grain needs of the central countries and the Latin American countries that met the silver and gold mine demands were pushed into the 'periphery' position. Russia, countries in Africa and Asia have not been integrated into the world capitalist system during this period and have managed to stay out of the colonial system. This is due to the fact that Africa is not yet discovered, Russia is a strong central empire and there are trade routes in Asia where Arab merchants are influential.

Wallerstein, who specializes in the transformation of Africa, states that this phenomenon occurred between the years 1750-1900. Earlier, Africa was outside capitalist integration. However, this situation began to change in the 1750s and the foundation of colonial relations was laid through the establishment of the slave trade (Wallerstein, 2011, pp. 142-143). The reasons for the transition from feudal production to industrial production are explained differently by various scholars. While Maurice Dobb suggests that the feudal mode of production has become stagnant and leads to the formation of the capitalist peasant society (Dobb, 1950, pp. 35-36), Sweezy sees the emergence of cities and the growth of domestic markets as the main reason (Sweezy, 1981, pp. 89-90).

Wallerstein refrained from using the concept of 'underdevelopment' and chose to use the concept of 'dependent development' by Cardoso and Faletto. According to the dependent development theory, core countries will gradually lose power and semi-periphery countries will be strengthened during the development process. The way to rid these countries of backwardness and exploitation is the socialist revolution according to Wallerstein.

Wallerstein says that the birth of international trade goes back to the beginning of the middle ages. The main characteristic of the trade in these periods is that it is based on luxury goods and is generally local. In the Middle Ages, there was no way to produce enough goods to sell in distant markets. World trade in the Middle Ages developed in three cities, one in Venice and the other in Flanders and Hanse. The economic and demographic events that occurred between 1300 and 1450 caused the world economy to stop in these cities. (Wallerstein, 1974, p. 96). According to Wallerstein, the non-realization of the purpose of the Habsburgs, which planned to establish a world empire, laid the foundations of the capitalist world economy system, and the relations with world systems such as the Ottoman and Russian Empires have benefited the world capitalist system. Europeans began to modernize their institutions, develop and diversify their economic activities, and homogenize their culture. The empires, which failed to realize these activities, moved to period of stagnation and Northwest European countries were positioned as core countries. At the same time, Latin American countries became periphery countries.

According to Wallerstein's work, the onset of the stable development of capitalism in Europe coincides with the 1450s (Wallerstein, 1974, pp. 63-64). The economic depression between 1650 and 1730 initiated the second phase of the modern world economy by reinforcing and strengthening the developing world economy in Europe (Wallerstein, 2011, pp. 20-21). Mercantilist practices emerged during this period. In the system, the struggle to attract the surplus value as a single core has led to mercantilist practices. The introduction of national trade barriers at the mercantilist stage is a defense mechanism for countries that are one step behind in development to protect themselves against the leading countries.

The mercantilist period has features that feed the world economic system. Core countries empower state mechanisms that meet the needs of capitalist landowners and traders. As the state strengthens, rights are guaranteed. The powers limited by the Constitution strengthen the central mechanism. On the other hand, the state mechanisms of the periphery countries are weak. In the third stage of the development of the capitalist system there is industrialization. Along with industrialization, a significant portion of the products in world trade began to be composed of industrial products (Wallerstein, 2011, pp. 28-29). Industrialization has led to geographic and technological inventions that will enable the European-based world economy to spread throughout the world. The development of the technology of firearms in the hands of both the sea and the military has been thanks to technological inventions. In order to provide the natural resources that cannot be found within the internal boundaries, raw materials and natural resources were provided from outside (Wallerstein, 2004, p. 82).

The geographic expansion of the world economy has led to the elimination of mini systems and other world systems. Russia, which is one of the most important world systems outside Europe, has become semi-periphery with the expansion of Europe. The independence of Latin American countries has not changed the position of the periphery of these countries. In the 19th century, Asia and Africa were reduced to periphery. Japan, which has a strong state structure, has become a semi-periphery because it does not have the natural resources that the colonists pursue and is far from the core countries (Wallerstein, 2011, pp. 129-137). Africa's peripheralization process has ended in slavery. Wallerstein says that this is because the manpower used in slavery is now being used for cash-crop (Wallerstein, 2011, p. 138; Wallerstein, 2011, p. 174) production and that the poor conditions that the slaves live under shortens their lives and are therefore no longer economical (Wallerstein, 2011, pp. 144-145).

The fact that the growing world economy creates new periphery countries has begun to bring about the change of some regions' role in the system. According to Wallerstein, the importance of Germany and America in world production has started to increase. From an economic point of view, peripheral sub-regions have become less important for the world economy. In this period, semi-periphery countries, which wanted to reach to the level of core country, started mercantilist practices. The industrialization

of semi-periphery countries before the First World War is different. America is fully industrialized, Germany is partly industrialized and Russia is not industrialized (Wallerstein, 1974b, pp. 410-411). In the industrial capitalist system, core countries are producing industrial products, while periphery countries have had to produce raw materials and agricultural products, ie primary products. The best example of this is the difference between the 18th and 19th and 20th centuries England. In the twentieth century, Britain changed considerably from the most important agricultural exporter, and the number of workers in agriculture declined dramatically (Wallerstein, 2011b, p. 102).

According to Wallerstein the fourth phase of the development of the world economy begins with the October 1917 Revolution. The capitalist world economy, which accelerated its growth with industrial developments in the period beginning with the Bolshevik Revolution, strengthened. Russia, which was defeated against Japan in the war in 1905, and which implemented mercantilist strategies to retreat and counter the world economy after the revolution. After World War II Russia has become a very powerful semi-periphery country (Wallerstein, 1974b, p. 411).

In the fifth stage, Wallerstein says that American hegemony is decisive. According to him, British hegemony ended in 1873 (Wallerstein, 1974b, p. 411). After this date, while the hegemony of America started to rise, Germany was in a worse position due to the defeat it suffered. After the Second World War, America reached the level that Britain had reached in the 1800s. Due to the Cold War, the US couldn't get involved the markets of Eastern Europe and China. For this reason, it focused on Western Europe, Latin America and the Middle East and Africa (Wallerstein, 1991, p. 28).

Since Latin American natural resources are no longer in the hands of the British, America turned its eyes to this region for raw material resources. If Africa and the Middle East were freed from being colonial, they would have the desired production rates. For this reason, the idea of Pax Americana has been costly in many regions for America (Wallerstein, 1991, pp. 66-67). America has experienced a decline in hegemony after the Vietnam War. America, the European Common Market, Japan and the Soviet Union in the 1970s have created the quadripartite division of labor. Transnational and Multinational Companies have brought freedom to the movement of capitalist practices

(Wallerstein, 1974b, p. 412). According to Wallerstein, the development gap between developed countries and underdeveloped countries is growing (Wallerstein, 1974b, p. 176; Wallerstein, 1991, p. 414). Wallerstein says that the existence of a socialist structure is not possible in today's capitalist world system, so that he believes that a coup to destroy the capitalist order is necessary to form a socialist world government (Wallerstein, 1974b, p. 415).

The core-periphery relationship in the world systems is inevitable and decisive. The resources of the periphery countries are transferred to the core countries as a result of the use of political force, and capital accumulation in the core countries increases. In the modern world system, income distribution in core countries is more fair compared to the income distribution *–repartimiento–* in the periphery countries. While the core countries are the middle-class countries, the number of poor people in the periphery countries is extremely high and the number of the rich very low. The reason for this is that the wealth distributed in the core countries comes from very inexpensive sources in poor countries.

Andre Gunder Frank, Samir Amin, Giovanni Arrighi and Immanuel Wallerstein all agree that the capitalist world economy which emerged in Europe around 1500s of the world system spread all over the world, as well as the inequality of income distribution because of the seizure of surplus value by the bourgeoisie. Moreover, the development or the underdevelopment of a state cannot be analyzed independently of the capitalist world system. Since the Second World War, the United States became a hegemonic power and since the 1980s its hegemony has started collapsing. The United States, which is trying to lead the world events according to its own interests, was at the height of the power loss during the September 11 attacks. They all also agree that crises follow each other and occur worldwide (Amin, Arrighi, Wallerstein, & Frank, 1990, pp. 181-182).

Considered as the father of the dependency school, Andre Gunder Frank says that world economic crises reduce dependence worldwide. The changing economic and political realities, the crises in the 1970s, are the main reason for this (Frank, 1974, p. 89). Progress and underdevelopment are the result of some internal contradictions of capitalism. Capitalism rises on the destruction of others, ie on the exploitation of the

economic surpluses of the others and on the consumption of their resources. The surplus value in this process ultimately reaches the metropolis of the world and enriches the bourgeoisie there.

Frank calls the world economy world capitalism. He claims that the emerging crises seriously shake capitalism. According to Frank, the crises that happened before had common features with the crises that took place in the 1970s. These crises cause structural changes and become widespread. During these crises, governments have taken painful measures and caused many conflicts. Frank argues that military coups, especially in Latin America, are movements aimed at rescuing the world capitalist system in crisis (Frank, 1981a, p. xiv). In the Third World countries, the reflections of the crises are different. Frank examined four different reactions (Frank, 1981b, pp. 29-32). In the first group, South Korea, Taiwan, Hong Kong and Singapore, known as Asian Tigers, were examined, and Frank described these countries as industrial economies based on cheap labor. Workers play an important role in the reaction of these countries to the crisis. The shortage of capital due to the economic crisis will lead to a reduction in workers' wages and workers will rise to seek their rights.

On the other hand, the military pressure regime comes into play. In the second category, Frank examines the countries producing and exporting raw materials based on cheap labor and calls this the 'Chilean Model'. This group includes Sri Lanka, Bangladesh and Chile, as well as other Latin American countries. In the event of a worldwide crisis, these countries attract international capital and demand that they operate their natural resources. Capitalists which cooperates with the backward country exploits these countries to the end. They do not leave easily these countries.

...in this brutal repression over 30.000 people have been killed, hundreds of thousands jailed and torture has become institutionalized – all in order to get rid of the usual democratic institutions and to destroy the labor movement. In the course of a little more than a year, the real wage rate has been depressed by 50 percent, while the economy has been handed to foreign capital on a silver platter. Foreign capital was begged to invest in raw materials and in industrial production. Thus far there has been some investments in raw materials, particularly copper, but none in industry (Frank, 1981b, p. 29).

Frank examines countries such as Brazil, Mexico, Argentina and India based on import substitution in the third category. These countries were to some extent successful with the import substitution model in the 1930s and 1940s. In times of crisis, governments in these countries, ie the state, play a more effective role in the economy. In the 4th category, the old sub-imperialist and new sub-imperialist countries are located. Frank says that Iran is the best example for new sub-imperialist countries. Iran retained economic, military and political control of a large region and seized major development opportunities.

## **2.2.DEPENDENCY THEORY IN LATIN AMERICA**

According to the theory of dependency, backwardness and capitalist development are a product of the same historical process. With the development of international capitalism, core countries with military and economic superiority exploit the periphery. At the end of this process, the core countries are developing and the periphery countries remain behind (Frank, 1981a, p. 4). For Frank, backwardness is artificially caused by external factors. According to Dependency theory, backwardness is a result of the capitalist development process. It is a completely artificial formation. In the end of World War II, Modern Development Theory was born as a solution to the problem of economic development in the colonial countries of Asia and Africa. Dependency Theory emerged towards the end of the 1940s. The theory has become crucial in trying to understand historical context of states which were known as 'underdeveloped' or as the 'Third World'.

Scientists from the Economic Commission for Latin America (ECLA) which is affiliated to the United Nations have discussed the effects of international trade on the development process. According to ECLA, trade relations between the core and the periphery tend to increase the development gap between the rich and poor countries. Throughout the 1950s, ECLA theories were applied as development strategies for many Latin American countries. The economic growth that entered the stagnation period in the 1960s opened up the criticism of ECLA's theories. These discussions accelerated the formation and development of the Dependency Theory and made it a worldwide theory. Dependency Theory split into two different schools towards the end of the 1970s. These are the schools represented by Raul Prebisch, one of the founders of ECLA, and the

"development of underdevelopment" thesis of André Gunder Frank. The global economic crisis, which culminated in the 1930s, divided the economic theory in the developed world into two. Since then, "development theory" has emerged for periphery countries. The most influential person at this point was Raul Prebisch. In Argentina, which is one of the countries with the highest economic crisis, Prebisch, who was the President of the Central Bank, started to write the core-periphery relations of the world economy.

Founded in 1948 in Chile with the participation of 21 Latin American countries, ECLA was being headed by Prebisch in 1950. ECLA has debated on backwardness and development and proposed import substitution industrialization strategies. The international free trade system dominated Latin America under the international division of labor. Prebisch says that the region needs to be industrialized for Latin America to develop on its own (ECLA, 1950, pp. 3-4). According to Prebisch and ECLA, the industrialization process should be accelerated by the production of imported goods in high quantities. Infant industries should be protected with high customs duties and tariffs. Domestic industries under protection should be forced to stand on their own feet when they reach a certain competitive capacity (Cardoso F. H., 1977, p. 28). Prebisch believes that raw material production is important and should be maintained in Latin American economies. The sources of income from the export of raw materials should be used in the purchase of imported goods required for domestic production. This is necessary for the continuity of economic growth. According to ECLA, governments should play an active role as a coordinator in the industrialization program. Because in order to get rid of the backwardness governments should prioritize industrialization policies and intervene in the economy (ECLA, 1950, pp. 52-53). According to the terms of trade analysis of the theory of development, which Prebisch wrote as an ECLA report, the terms of trade of the underdeveloped countries caused these countries to lag behind (ECLA, 1950, p. 10). According to ECLA, the structural imbalances between the core and the periphery lead to the backwardness of Latin America.

There is a significant difference between underdevelopment and undevelopment. While undevelopment means the absence of development, underdevelopment implies that underdevelopment occurs in some parts of the world as a result of the world capitalist development process, which is a special process, while the same process causes

development in other regions. The aim of ECLA theorists is not to formulate a general underdevelopment theory. They are focused on analyzing this problem worldwide and looking for a solution, and they deal with the problem in a structural way. According to ECLA, one of the solutions to the problem is the industrialization of the region. The role of capital accumulation in the development process is important. The terms of trade developing against the peripheral countries prevented the accumulation of capital in the periphery. Therefore, the development rate remained low. From a structuralist view, Latin American countries have structural problems that create inflationary pressures. The most important problem faced by Latin America in the development problem is the lack of capital. Since, these institutions impose very limiting criteria on borrowing countries; structuralists criticize organizations such as the IMF and World Bank, which follow the monetarist recommendations.

ECLA recommends that governments take a more active role in the economy. The elimination of all structural problems that hamper the development path is among the main tasks of governments. No planned economy has been proposed. It is believed that a market economy should be developed under the supervision of the government. This Keynesian perspective was adopted and applied in both Latin America and other Third World countries. Since the 1950s, governments have played a more active role in these economies.<sup>4</sup> The countries following ECLA's strategies were Argentina, Brazil, Chile,

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<sup>4</sup> In the late 1950s, the Keynesian influence spread throughout the world. It was about demand management. Keynes linked crisis with lack of demand. If there is no demand due to the reasons of that what if consumer doesn't want to buy the product or labor does not have the real wage, then aggregate demand occurred and state intervention should be adopted. Employment and reproduction should be applied by state to create demand. Demand-side management, welfare state, social democratic state and collective bargaining mechanism which create real wage and thus demand, capital and labor can maintain the system. Keynes criticized the idea of market self-regulation; a claim about prices and demand, prices will adjust to assure that market will be clear, so that what producers bring to the market will find buyers - this mechanism will guarantee demand and investments will be directed to more profitable sectors. Keynes argued that producers may fail to sell all they produce, what they sell may not be wanted, failure to find buyers may become a systemic failure, market can fail to create adequate purchasing power and this failure in creating aggregate demand may be a major problem for the market. Keynes agreed Marx on the ability of the market to maintain employment and smooth reproduction. Keynes thought that government intervention is needed to create employment and to provide a stable process of reproduction. Contrary to economic circular flow in neo-Classical economy, for Keynes, link between supply of saving and investment is problematic. In capitalist setting, both wage bargaining and savings perverse effects. Self-regulating market cannot be trusted. Keynes suggested that at the micro economic level, changes in wage contract can lend stability to labor markets benefitting both employees and employers. At the macroeconomic level demand management by state can maintain levels of demand and employment.

Colombia and Peru. ECLA provided technical support to these countries and directly affected development strategies. The development process was influenced by training local planners. ECLA's idea of industrialization is a prerequisite for development were valid for all Third World Countries. Industrialization will take place if the path followed by the developed countries is followed. If industrialization takes place, some characteristics of the underdeveloped societies are eliminated.

The scholars with this idea are called 'desarrollistas'. Industrial investments were supported by the domestic market. While the diversity in production increased, a significant amount of internal resources were obtained for new investments. The domestic market has grown and gained continuity (Furtado, 1965, pp. 10-11). Celso Furtado focuses on external dependency. According to Furtado, there are external factors that cause the emergence of capitalism in the periphery countries. Among these, there is a consumption style initiated by the industrial revolution and imported from developed countries. Direction of the consumer society, which forms the basis of capitalist exploitation in backward countries, is done by the industrialized countries that establish the international division of labor. The most prominent feature of the emerging periphery capitalism is that it does not have the capacity to make new inventions. It is a fact that foreign powers are important in every important decision (Furtado, 1965, pp. 66-67).

ECLA strategies failed because they could not consistently achieve the desired results. Economic growth in industrialized Latin American countries, implementing ECLA policies, stopped in the 1960s. The self-sufficient economic development strategy did not continue to grow and led to economic recession. Social and political problems began to grow as a result of the economic stagnation. After only a small minority had increased the purchasing power and reached a certain saturation, the growth in the domestic market stopped. Industrialization, which started to develop in cities, attracted the labor force from rural areas. The surplus value produced by these workers has been re-invested in the establishment of indigenous industries.

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Governments should use their revenues to acquire goods from private sector, employ labor and provide income for consumer (Keynes, 2013, pp. 197,258,382).

However, this situation is only specific to the times of crisis and war. Import substitution industrialization in Third World countries did not lead to an increase in workers' wages. It led to further exploitation of laborers. As the purchasing power of the workers did not increase, there was no strong market. Due to the small-scale industrialization that took place in the cities, millions of people from rural areas flocked to cities. The poor of the countryside tried to continue to live as the poor of the cities. The economic stagnation in Latin America, which occurred in the 1960s, caused scholars to be interested in the subject to begin to develop alternative models. ECLA's development strategies were criticized. Because ECLA is not interested in social and political reasons, it has reduced the problems to economic reasons and has not developed approaches to solve important problems such as land reform. Andre Gunder Frank says that the main thesis of institutions such as ECLA, ILPES (Instituto Latinoamericano de Planificación Economía y Social), ISEB (Instituto Superior de Estudios Brasileiros) and Escuela Nacional de Ciencias Políticas y Sociales is that core countries are exploiting Latin American countries with the terms of trade they place against Latin America. They complain about colonial relations. However, they do not focus on foreign capital and aid that created this colonial structure. The best strategies to develop Latin America will be the product of inward directed national capitalist development policies. The biggest obstacle to inward development strategies is that the domestic market is very small and weak (Frank, 1981a, p. 171). According to ECLA and similar institutions, the underdevelopment and poverty of rural society in the Latin American societies, some of which consists of the developmental capitalist group and the reactionary feudal structure in some parts, was caused by standing apart from the market and the monetary economy.

Economic development and industrialization are impossible in the regions without money economy and market. For this reason, it is advocated to make reforms that will change the structure in order to eliminate this factor that has led to backwardness. These thinkers are called structuralists. According to Structuralists, the reason for underdevelopment is international capitalist colonialism. They are not interested in the internal colonial structure of Latin America. In fact, the metropolis attracts limited capital, which is very important for the development of rural areas dominated by feudal mode of production (Frank, 1972, p. 27). Structuralists also ignore the native class structure.

There are also those who believe that foreign capital and aid will increase dependency, as opposed to those who argue that it will lead to development for underdeveloped countries. Private capital investments from the US to Latin America exponentially go back to America (Frank, 1972, p. 44). The pillar of US economic and political imperialism in Latin America is 'foreign aid' - particularly the Alliance for Progress (Griffith-Jones & Sunkel, 1986, p. 50). The left-wing peoples and intellectual layers in Latin America have resisted against these policies and ideas. According to Frank, these have not been sufficiently analyzed. While the majority of aid goes to American companies operating in these countries, American aid to the Latin American bourgeoisie is not significant. The share of indigenous people from these aids is quite low. For the bourgeois classes to benefit from these aids, they must cooperate with the American companies which are the monopoly. The ruling class that strictly implements policies such as devaluation imposed by America will also appear profitable for a temporary time, but in the long run they are also going to lose (Frank, 1969a, p. 179).

Susanne Bodenheimer describes the dependence in Latin America as a constant condition since the 16th century. According to her, the current structure of capitalism, the needs and expectations of the dominant class, the accumulation of capital, the rules of international trade, terms of trade, and the linking of the dependent countries to the internationalization system are special aspects of the international system (Bodenheimer, 1971, pp. 334-336). How Latin America was underdeveloped by the capitalist system was analyzed by Susanne Bodenheimer as follows;

...(1) Annual average growth rates during the 1960s were lower than those of the previous decade, and fell far short of the target established in 1961, (2) Social problems such as urban poverty, unemployment and inequality of income distribution have been aggravated rather than resolved ..., (3) The serious agrarian and tax reforms envisioned in 1961 have not been made ..., (4) Given the declining value of Latin American exports, and the rising prices of goods imported by the region, Latin America faces an increasingly serious balance of payments crisis and a 'virtual commercial deficit' in the coming decade (Bodenheimer, 1971, p. 328).

In explaining the theory of dependence, Chilcote does not prefer the alternative of revolution as a way of salvation. However, he accepts capitalist imperialism as the main

enemy of dependent Latin American countries. According to him, capitalist imperialism, which caused the backwardness in Latin America, is supported by the ruling class in these countries. Chilcote thinks that cultural conditions are as decisive as economic conditions (Chilcote, 1999, p. 146). According to Chilcote and Edelstein, the way in which Third World countries get rid of backwardness is to fight for a classless society. The Cuban Socialist Revolution is the best example of this. The goal of the revolution was to establish a classless social structure. Even though full equality was not provided in the distribution of income by the revolution, luxury goods that the rich could buy were removed from the markets. New job opportunities were created in order to overcome the disparity between classes, and the wages in rural areas were increased.

According to Che Guevara, who described the Cuban Revolution as a great victory against the imperialist powers, all societies against American imperialism must unite (Che Guevara, 1961, pp. 6-8). According to Christopher Chase-Dunn, countries like China, the Soviet Union and Cuba have taken important steps to establish a socialist system. However, these steps did not create the effect that would lead other countries. Chase-Dunn, who advocates the establishment of a single division of labor system around the world, thinks that the world economic system, which is dominated by a single world government, should be established (Chase-Dunn, 1982, p. 169).

Fernando Henrique Cardoso criticizes development analysis. According to Cardoso, it is necessary to distinguish social and political conditions from economic conditions. Cardoso emphasizes evolution rather than revolution. According to Cardoso, Lenin's theory of imperialism and the theory of capitalist development is not sufficient to explain today's capitalist development and world order. There is an irregularity and discontinuity in capitalist development in backward countries. For example, the growth of foreign investments is limited and is usually directed towards the upper classes. However, in recent years, foreign investments in the dependent countries have been continuously decreasing. Cardoso's approach has two consequences. First, domestic savings and the transformation of the profits obtained in domestic markets into new investments contribute to the growth of foreign wealth. Second, in the monopolistic imperialist expansion and colonial period, dependent economies are exporting goods to the dominant economies. Cardoso sees capitalist development in dependent countries as

contradictory, colonialist and full of inequalities. Nevertheless, Cardoso does not deal with a fair distribution –*repartimiento*- of the revenue obtained, regardless of whether development meets the basic needs of society (Cardoso & Faletto, 1977, pp. 64-65).

According to Cardoso and Faletto, the change in economic conditions is very beneficial for a country, while the same change has negative consequences for another country. The dependence and backwardness of the Latin American countries, which are tried to be explained by internal reasons rather than external influences, can be explained by the links that connect these countries to the world markets. The new ruling classes in countries that enjoy independence from Spain, Portugal or the United Kingdom receive power from the alliance between the agricultural modern sector and the old-country class. The emerging commercial elite become dominant in this alliance. In Latin America, the economic-political outcome of this is the *desarollo*, ie the export-oriented development strategy based on the production of raw materials. With the great crisis in the 1930s, the export-oriented development strategy was over, and the inward development strategy, namely *desarollo hacia adentro*, started. ECLA defends the import substitution development strategies for Latin America's development, while international banking circles have argued that these strategies are not the right choice. Cardoso argued that import substitution policies would not lead to economic development. According to him, these strategies completely emerged as the product of inter-class alliances. The end of these alliances led to the end of import substitution policies and hence economic development. The disappearance of the populist alliance between the organized working class and the bourgeoisie in Latin American countries has led to the eradication of democracy by military coups in these countries. The collapse of interest alliances between different classes has caused military coups.

In short, the main reasons for the backwardness of Latin American countries are not due to international imperialism, but rather because of their relative interests between classes. The main difference between the approaches of Cardoso and Lenin is visible at this point. Cardoso does not see dependency and development as two separate phenomena that cannot agree and coexist, and argues that dependent development is possible. Furtado, on the other hand, argued that capitalist development would be possible through import substitution development, but later abandoned this view.

According to Furtado, ECLA's industrialization strategies have made it more dependent on foreigners instead of reducing dependency. Previously imported consumer goods have been replaced by capital goods. More raw materials and primary products had to be exported in order to obtain the foreign exchange resources required for the import of capital goods required for import substitution development. According to Furtado, foreign industrialists and indigenous oligarchs have tried to marginalize the broader strata of the people. In this context, while the wages of employees are kept at low levels, the profits of the business people have been kept high.

Latin American economies established in the colonial period have created a dependency that is still in effect. Economic activities are directed towards the production of commercial products and precious metals for export. There was a need for foreign exchange resources to import goods and luxury goods, which were not available in the colonial countries. Exports depend on a few raw materials, and this situation continues despite some minor changes. For the metropolitan country, the flow of raw materials into their countries has played a crucial role for the development and growth of industries. The increase of the goods demanded by the colonial countries has accelerated metropolitan industrialization. Colonies have become an unsaturated market for core countries. Every economic boom in the dependent countries has strengthened the rural elite. The temporary wealth obtained after the economic explosion led to the domination of the single product type due to the increase in demand. The profits of the agro-industrial elites increased exponentially and started to import more luxury goods. In terms of this group, the changes that will disrupt the existing system or status quo are unnecessary and dangerous. It is necessary to resist the changes that may occur.

Dependency theory tries to find the roots of backwardness in dependence. The expansion of commercial capitalism has virtually destroyed the indigenous manufacturing industries in the colonies and almost completely collapsed domestic infant industries that cannot withstand the competition with imported goods. Inflation after each economic boom has made imported foreign goods cheaper than domestic goods. At this point, I think it is necessary to examine economic views and neo-classical economists' view of development. According to neo-classical economists, foreign trade plays an important role in development. They believe that free trade must develop. David Ricardo,

who founded the theory of comparative advantage on Adam Smith's theory and then Heckscher and Ohlin, who emphasized the importance of the existence of countries producing a product relatively cheaply, took the theory a step further. The production cost of a product on which a country is concentrated is the cheapest cost to be produced in that country. They recommend concentrating on labor-intensive products in countries where labor is cheap. (Edwards, 2015, pp. 32-33). The international division of labor requires that countries develop on the basis of producing the goods they can produce at the cheapest cost. The theory says that free trade increases the level of prosperity of the participating countries and is quite successful in the function of equalizing prices between countries (Edwards, 2015, pp. 29-30).

In the current international system, rural countries produce and export raw materials, while core countries concentrate on the manufacture and export of industrial goods. However, this international division of labor is the reason for the backwardness of periphery countries. The raw materials and agricultural products produced and exported by the backward countries face commercial barriers such as high tariffs and quotas of developed countries. In other words, those who will profit from international trade are industrialized countries. Therefore, the development of underdeveloped countries without internal industrialization is not possible.

Neo-classical theory's 'development in one part of the world leads to development in other regions' argument has been criticized by many scholars. According to the neo-classical theory, the import boom due to the increase in income in a country means an explosion of exports in another country. However, free trade unfairly distorts income distribution in underdeveloped countries. The growing market with free trade has been in the interest of developed and industrial leading countries. Since the economies of developed countries have a greater competitiveness, they completely eliminate the hard-standing industries of backward countries in the free market. Underdeveloped countries become fully dependent on such a market.

According to David Ricardo, what a country will produce is determined by the forces of production such as the natural resources and climate of that country and development policies are developed accordingly. Andre Gunder Frank rejects Ricardo's

comparative advantage theory. First, the value of a country's resources is determined by the metropolitan country. The core country, which determines the value of the resources of a backward country, decides the method by which the backward countries remain colonial. Resources determine the social structure and relations of production. In this system, the metropolis always exploits the satellite. The world capitalist system, established upon the exploitation of the underdeveloped countries by developed countries, prevents the backward countries from producing their own potential surplus value. The times when ties with the capitalist colonial world are at their weakest are the best time to develop underdeveloped countries. The most important and rapid capitalist industrial development in satellite countries occurs during periods of the least dependency with the metropolitan country to on which they depend.

Developed countries always try to keep the economies of backward countries under control. Nowadays, it is seen that the important economic organizations and capital in the backward countries are in the hands of foreigners. The Mexican government's efforts to Mexicanize the economy, the Kenyanization of the economy of the Kenyan government, are efforts to keep foreigners away from the national economy. However, this was not possible. Many domestic companies have been under the control of foreign giant companies<sup>5</sup>. Latin America and other backward regions remained politically and economically dependent on mercantilist capitalism and imperialism years ago.

The class structure of the underdeveloped world, primarily Latin America, which presents the raw material and capital necessary for the world capitalist development process to the service of the developed world, has been shaped by the imperialist system, which colonizes these countries. The colonial class structure leads to a significant number of economic activities and trade in the hands of a small minority. Petty Bourgeoisie, who holds all the commercial activities and the economy, has no aims or plans for the national development of the country. With this group trying to maximize their own interests, the

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<sup>5</sup>Aftermath Kenya became independent state, first administration had to cope with economic and political obstacles. The priorities were acceleration of growth, Kenyanisation of the economy and redistribution of incomes. However, these could not be achieved with political instability. Colonial goals were affective in economies. Stable and strong economies were not wished by Europeans. They thought to organize colonies' economies as a component or bandwagoning to colonizers. So that, this caused very weak economies in newly independent states and their economies were left as infant and extractive industry.

underdeveloped countries cannot get out of the cycle of backwardness. Like the indigenous bourgeoisie, foreign capital and traders do not have a goal of developing the countries they exploit (Frank, 1981a, p. 165). In Latin American societies, the regime is composed of landowners and the bourgeoisie. They play an active role in cooperation with the military class. These classes depend on international imperialism and capitalism. They want the continuation of the status quo and prioritize their interests. The gigantic system of haciendas, which forms the current structure of land distribution, is based on giant farms called latifundias, which is the backbone of the export economy and consists of large lands. The Latifundista class, the landowner, is one of the classes that dominate the social structure of Latin America, and they do not want to leave these positions (Frank, 1981a, p. 170).

There is a conflict between Latifundistas and the bourgeoisie. This is because the single crop production system in the agricultural structure from the social colonial class structure is in contradiction with the demands of the agro-commercial class to increase the product variety of lands. Scholars such as Chilcote and Edelstein, who emphasize the importance of the national bourgeoisie, say that this class is important for social and political reforms. According to them, the national bourgeois class, together with the industrial working class and the urban population, modernizes the country, provides development and eliminates the feudal<sup>6</sup> hierarchical structure (Chilcote & Edelstein, 1974, p. 52).

However, as long as the deficit in balance of payments exists, the national bourgeoisie –*haciendistas*– cannot achieve this. Import substitution industrialization methods are required in order to prevent foreign currency from leaving the country. In this way, the nation, which can be created by inner assets, can set up a fabricating industry

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<sup>6</sup> In the feudal system, there is a hierarchical division of labor. At the bottom, there are serfs dependent on the soil, vassals above them, the lords to which they belong, and the king on the top. In this system, when the works are done from the bottom upwards, the orders are given from top to bottom. In this system there are delicate balance of powers even if there is no legal warranty to protect people in the state of slave. According to this system, the lower class serves the class at an upper position and is connected to this class. In return, the upper class protects the subordinate class which is dependent on itself. A similar feudal structure was formed in Latin America. However, inter-class relations are not as advanced as in Europe. In Latin America, cities are rapidly developing and growing, and the rural areas continue in their underdeveloped position. Some scholars argue that this situation can only be eliminated by the spread of urban capitalism into the countryside. The capital accumulates in cities through finance and trade.

and pick up quality against the latifundista class. The military structure is also part of the national bourgeois class –*hacendistas*- in society. If the national bourgeoisie is strengthened against the class of latifundistas, the military will support this ruling class. Communist parties in Latin America have proposed policies to develop co-operation with the national bourgeoisie. The expectations of the Communist parties on this issue were that well-organized urban workers created industrial capitalism. The development of industrial capitalism is very important on the road to socialist revolution. In the Communist Manifesto, Marx and Engels predicted that the socialist revolution would not occur without the capitalist process being achieved (Marx & Engels, 1948, pp. 11-12). In fact, however, there was no such conflict between the Latin American hacendistas and latifundistas. The reason for this, according to Frank, is that the national bourgeoisie does not bear the identity of the class, and their political views are not stable. In Latin American societies, industrialists could not be independent of the latifundista class. During the periods of world wars and economic crises, some industrialization took place in the region.

However, this was not the case with the conscious bourgeoisie, but in times of economic crisis, core countries could not sell the products they had previously sold to the market and allowed import substitution policies to create temporary development. Due to the rise of fascism and the wartime needs of America, Mexico's foreign trade has developed. As a result of the increase in exports during the Second World War, the country's foreign trade grew tremendously. The United States was unable to make exports to Mexico because of the war. Mexico has experienced import substitution industrialization and has significantly increased its industrial exports. It has received major credit opportunities from America after the war, as Mexico meets the war needs of America. After the war, America began making major investments in Mexico and acquired the industrial production facilities in Mexico. Foreign Direct Investments made to the country increased rapidly. Global crises, such as the war involving developed countries, have created opportunities for the development of some underdeveloped countries.

In these periods, the demand for the products of the backward countries has been high and the prices of these products have increased in the international market. An

example of this is the extent to which sugar production and exports in Cuba have been affected by World War I. In the wars and crises experienced by the world capitalist system, some Latin American countries have begun to produce consumer goods that they had previously imported. In the import substitution development strategy in Latin America, consumer goods were produced especially for higher income groups. However, the existing class structure accepts no change and does not change. The national bourgeoisie and the ruling class, who adopt the principle of keeping class structure and income distribution the same, prefers the continuity of the status quo. The ruling elite of the colonies lived in the cities and often collaborated with the colonial powers by dominating the local markets. Cities have been used to exploit rural areas. The ruling families of the Third World have adopted a Western lifestyle rather than their own people. They often use the army to protect the interests and factories of the West against their own people. In return, the West helps such dictatorships and even provides them with weapons. Thus, a chain of dependence that has spread to the earth through the capitals of the world and extends to the villages of the Third World has developed. However, import substitution industrialization does not constitute a significant development without significant changes in income distribution and class structure (Frank, 1981a, p. 129).

In order to improve the domestic market and to make the development permanent, it is necessary to increase the purchasing power of people. In a society with a fair income distribution and purchasing power, development and growth reach a sustainable point. Andre Gunder Frank highlights the disadvantages of the import substitution industrialization model. According to him, the import-substitution model will make a country more dependent on the international system and cause economic recession. During the Second World War, despite the increase in exports to a certain level, the fact that imports from the metropolitan country could not be sustained created serious problems. Import substitution industrialization failed to establish a foundation that could make development permanent. Growth has not been continuous with this kind of industrialization. In fact, the benefits of the growth achieved through import-substitution industrialization could not be justified to the layers of society. Parts of industrial and agricultural machinery that were dependent on foreign imports could not be imported and production fell.

According to Frank, the most backward regions today are regions that were most dependent on metropolitan countries in the past. In the development of the world capitalist system, the largest source, primarily raw materials and agricultural products, was provided by colonized countries. For some reason, when these regions were abandoned by the metropolitan country, their economies collapsed<sup>7</sup>.

### **2.3.NEW DEPENDENCE**

According to Theotonio Dos Santos, the first scholar who used the term "new dependence", North America's investments in Latin America began to increase and shift to different sectors. Dos Santos generally focused on the failures of import substitution development in Latin American countries. According to Santos, the international capital of Latin America has become very selective. The interest of the developed colonial powers on the region has shifted from the import of raw materials to the production of more advanced technological products such as electronics in these countries. The new international division of labor has now removed backward countries from being the only raw material producing countries. Therefore, Dos Santos has used the concept of "new

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<sup>7</sup> African countries faced with a lot of challenges after they gained their independence from colonizer European countries. Some challenges they faced are followings; These African states were multi ethnic states without a logic of territorial integrity or boundaries or national feelings. Colonies were territories where one ethnic group begins locating and the other one ends. After independence this ethnic variety caused conflicts regarding spread of these ethnic groups over many states. Colonial goals were affective in economies. Stable and strong economies were not wished by Europeans. They thought to organize colonies' economies as a component or bandwagoning to colonizers. So that, this caused very weak economies in newly independent states and their economies were left as infant and extractive industry. Ex-colonial states were strongly lacking educated, even literate people. This was a big obstacle they faced, due there were not appropriate and capable citizens who may have run economy and government. European colonizers were not interested in educating African indigenous, they did not need educated native people. When colonies became independent, inadequency of well-trained educated Africans to take position in government was realized. In Kenya, situation was no different at any level. All these problems that I have claimed above was reality in post-colonial Kenya. According to World Health Organization's May 2006 Kenya Report; 'The Present Context Kenya is as a low income, food-deficient country with a population of 34 million and a GDP per capita income of USD 1 037. Kenya's position on the UNDP human development Index has dropped from 134th out of 173 countries in 2002, to 154th out of 177 in 2005. About 58% of the population lives below the poverty line. Kenya's economy is highly dependent on tourism. Economic productivity is unevenly distributed between central areas, characterized by high population density, commercial agriculture, industries and improving standard of living, and the sparsely populated peripheral areas, characterized by pastoralism and subsistence agriculture. Vulnerability to drought and food shortages is widespread in the arid and semi-arid districts located in the northern, coastal and central provinces. Kenya is also home to an estimated 238 000 refugees and 360 000 internally displaced peoples mainly from Sudan and Somalia.'

dependency". American investments, previously focused on raw material production, are now focused on advanced and dynamic sectors such as electronics industries (Dos Santos, 1970, pp. 232-233). In the 1960s, Santos argued that a new international division of labor had begun and that, with this formation, the role of the periphery countries in producing and exporting raw materials for the core countries ended. The modern sectors of all periphery countries are now integrated into the imperialist system and have become a part of this system.

However, the development has been partial. While only core countries and some specific regions of backward countries were developing, this development was as much as the imperialist colonial powers allowed. Due to the dependency relationship, there has not been a development by counting on its internal dynamics (Dos Santos, 1970, p. 235). According to Dos Santos, who sees Latin American countries as complementary elements of the world capitalist system, there are three kinds of dependency; colonial dependency, financial-industrial dependency and technological-industrial dependency (Dos Santos, 1970, p. 232).

Colonial dependence, trade export in nature, in which commercial and financial capital in alliance with the colonialist state dominated the economic relations of the Europeans and the colonies, by means of a trade monopoly complemented by a colonial monopoly of land, mines, and manpower (serf or slave) in the colonized countries. (2) Financial-industrial dependence which consolidated itself at the end of the nineteenth century, characterized by the domination of big capital in the hegemonic centers, and its expansion abroad through investment in the production of raw materials and agricultural products for consumption in the hegemonic centers. A productive structure grew up in the dependent countries devoted to the export of these products (which Levin labeled export economies; other analysis in other regions, producing what ECLA has called "foreign-oriented development" (desarrollo hacia afuera). (3) In the postwar period a new type of dependence has been consolidated, based on multinational corporations which began to invest in industries geared to the internal market of underdeveloped countries. This form of dependence is basically technological-industrial dependence (Dos Santos, 1970, p. 232).

Santos's "new dependency" theory emerged as a response to ECLA's import substitution development strategies, which led to successful development in the 1950s

but caused stagnation in the 1960s. The reasons for the non-development of the domestic markets of Latin American countries are being sought in the dependencies of these countries. Dos Santos explained the reasons for not developing domestic markets:

(1) Most of the national income was derived from export, which was used to purchase the inputs required by export production (slaves, for example) or luxury goods consumed by the hacienda- and mine-owners, and by the more prosperous employees. (2) The available manpower was subject to very arduous forms of superexploitation, which limited its consumption. (3) Part of the consumption of these workers was provided by the subsistence economy, which served as a complement to their income and as a refuge during periods of depression. (4) A fourth factor was to be found in those countries in which land and mines were in the hands of foreigners (cases of an enclave economy): a great part of the accumulated surplus was destined to be sent abroad in the form of profits, limiting not only internal consumption but also possibilities of reinvestment [1]. In the case of enclave economies the relations of the foreign companies with the hegemonic center were even more exploitative and were complemented by the fact that purchases by the enclave were made directly abroad (Dos Santos, 1970, p. 232).

According to Dos Santos, the reason why Latin American countries are backward is not that these countries are not integrated with capitalism. The reason for the backwardness of these countries is the international capitalist system and the rules of this system. Theotonio Dos Santos considered the expansionism of foreigners in underdeveloped countries not as a developmental force, but rather as a fundamental factor creating backwardness. The needs of capitalist Europe have made the exploitation of Third World countries inevitable. In the 19th century, when the industrial revolution began to develop, Europe provided the raw materials needed by its factories and the agricultural products needed by the urban population from the Third World countries. Tropical agricultural products that cannot be produced in Europe, precious metals that are not on the continent have been obtained from Latin American countries. In the twentieth century, European countries and the United States have often sought markets to sell industrial products of machinery.

The formation and development of economies of Dependent societies has been shaped in line with the European and American needs. Even in times of development and

prosperity, dependent countries are disadvantaged. The intense exploitation of resources results in the intense exploitation of working people inevitably. Workers who are heavily employed to achieve maximum efficiency are deprived of healthy eating. There have been mass deaths due to infectious diseases brought by European immigrants, and as a result, the slave trade has begun. African slaves were brought in by ships and worked for peanuts. Due to the growth of the capitalist economy, the slave trade developed and the first black slaves were brought to the American continent as a result of the failure of the Latin American Indians to provide the necessary labor force.

There are long and lengthy debates about the impact of American aid on Latin American countries. According to the Latin American scholars, the amount of American aid is very small and is not done for the development of the region. On the contrary, these aids have increased the dependence of Latin American countries on the US. Andre Gunder Frank, who explores the effects of American capital on the development of Latin American countries, argues that American capital does not have a positive impact on the region. For example, in the 1950s, the US reclaimed nearly 3 times its investments in Brazil as capital (Frank, 1981a, pp. 186-187).

Due to the capital flowing from capital-poor countries to the United States, the already existing balance of payments deficit has grown even further, and today the control of the economies of these countries has passed into the hands of American-guided international organizations such as IMF and World Bank and the gap has increased. The American capital flowing into Latin America has not been invested in the industrialization of these countries. Basic heavy-industry facilities were not established to support the industrialization of countries. American capital to Latin American countries went into the export and service sector. Most American aids have been movements aimed at obtaining the raw materials required for the American economy.

According to Frank, the capital flowing from the backward to the developed countries is more than the flow of capital from the developed countries to the poor countries. For example, while the American capital that goes to the rich countries returns with losses, the American capital that goes back to the backward countries is returning with two to three times the profit (Smith, 2016, pp. 75-77). FDI gets more from backward

countries than it gives to backward countries. Foreign investments disrupt the balance of payments, give rise to monopolistic formations and eliminate the weak local firms. National economies weaken and collapse in the face of foreign economic investments. Foreign capital owners in backward countries are in cooperation with the pro-status quo oligarchy in these countries. The reason for this is that these oligarchic structures establish bonds of economic interest with foreign capital.

At this point it can be said that the comprador bourgeoisie started to emerge. Frank says that private capital by foreigners is constantly entering high-profit industries, and that these sectors are prevented by the political ties from domestic capital. For this reason, there is a instability in the balance of payments. Such foreign investments leave these countries in times of crisis and come back when the economic crisis ends. This fluctuation creates a great instability. Behind the military coups in many backward countries, there are foreign investments trying to secure their investments. They do not want political uncertainty, and cooperate with the military and the political elite.

The Brazilian military coup of 1964 gives information about the role of the national bourgeoisie in society. The national bourgeoisie did not oppose the intervention, thinking that it would maximize its interests. It is in their interest to make the country open to the exploitation of the international capitalist system. The national bourgeoisie has openly supported the military coup and the military regime has adapted the politics to the international capitalist system. The bourgeoisie must protect the constitution. Because it holds the power protected by the constitution. In England, the national bourgeoisie thus seized power in a democratic way. However, this was the opposite after the Brazilian military coup. The national bourgeois class welcomed the overthrow of the civilian government, which did not appeal to its interests. There have been military coups in Latin American countries during the 1960s. Until the mid-1960s, the national bourgeoisie and the middle classes were seen as developmental forces near all of the Latin American countries, and after that date the military was seen as the driving force in development. Since the military governments provided stability, more foreign capital was provided to these countries. After the period of military coups, the national bourgeoisie descended to the second degree in the ruling class, and the military was recognized as the driving force of development and modernization. The national bourgeoisie sought

political support from the military and economic support and assistance from the American imperialism.

The role of the Church in the colonization of Latin America as well as the reasons mentioned above was great. Missionaries of the Catholic Church of Spain have been active in the region. These missionary groups have a large proportion of land. They are also exempt from tax due to their activities in the region. The church became the most important supporter of the ruling class. In this period, the indigenous people were very weak and deprived. However, the Indians tried to resist and to defend themselves. The incineration of churches and the incidents of missionary killings have increased. Indigenous peoples settled in the mountains and forests to escape this colonialist church-capitalist partnership. They rejected Christianity and tried to defend their own culture and identity (Dussel, 1973, pp. 44,61,197).

On the basis of the Spanish colonial period, the Spanish explorers had a specific land system. In this system, the territories of the Indians were confiscated by foreign invaders. The most fertile lands were in the hands of minorities. The lands obtained by the native American indigenous people -Indies- were the privately owned property of the occupying aliens after the expropriation. Large-scale privately owned property farms, ie, -haciendas-, are established for commercial purposes and based solely on the production of a specific product for profit. This large-scale and monocultural haciendas became part of the international capitalist economy. The production decisions were not intended to provide better food for the indigenous people, but rather for the production of agricultural products that the capitalist economy needed. Most of the land in the Haciendas was not used. They were not used efficiently.

One of the main characteristics of the underdeveloped countries, the "unjust distribution of land"<sup>8</sup> is one of the reasons for underdevelopment of these countries. Landlords and the bourgeoisie in Latin American countries have been supporters of military coups and have resisted reform attempts. The Hacienda is a capitalist colonial

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<sup>8</sup> The uneven land distribution has survived to the present day, and today most of the people of Latin American countries have no land. This kind of soil system has prevented the emergence of the national industrial bourgeoisie necessary for the development of the country.

institution that can survive with very limited capital. The main source is the workforce of the Indians. In the Hacienda system, it has been consciously tried to control very large lands. The goal is not to obtain more products. When this system was created, everything that people had was taken out of their hands and because people remained landless and unemployed, they became dependent on working in the haciendas.

As in the slavery system, all the employees were given the same jobs, regardless of their abilities and skills. Employees of the camp had to work all season. The population of Indians, who were employed under heavy and bad conditions, began to decline significantly. Every day more workers lose their lives. The Indian population, deprived of their lands and thus of livelihoods, fell into a shortage of livelihood. After the slavery for the Indians was officially abolished, the enslavement of the blacks brought from Africa was revealed again. Previously, only the slave workers of the African subcontinent workers, now began to work in mines and sugar factories. The transfer of slave workers from Africa to Latin America was not intended to protect Latin American Indians for humanitarian reasons.

Latin America is the continent that suffers most from colonial backwardness. The backwardness caused by the colonial process made the peoples of Latin American countries economically, culturally and politically dependent. According to Andre Gunder Frank, "backwardness" in Latin America, or anywhere else, originated from the colonial structure of the world capitalist system. The world capitalist system exploited the resources of underdeveloped countries in order to sustain its development and considered these countries as a market to sell the goods they produced. The peoples of the Latin American countries should make the movement themselves to save themselves from dependency. As Frank said, the remedy for dependence is through a socialist revolution against the bourgeoisie and imperialism. According to Frank, backwardness is caused by external factors. Frank defines this as 'underdevelopment'. Modernist scholars ignore the history of underdeveloped countries. The magnificent artifacts left by the Inca and the Aztecs in Latin America show that these societies have established very high civilizations and their history is very rich. But the colonial countries have eliminated the works of these civilizations.

The worldwide expansion of capitalism and mercantilism led to the Third World becoming underdeveloped. The capitalist world system has led to the development of some countries, while others have been underdeveloped. According to Frank, the development of underdeveloped countries is only possible with isolation. The capital, social values, institutions and technology transfer of the developed countries to the underdeveloped countries will make these countries more dependent and the degree of underdevelopment increases. The contact and relations to be established with the capitalist countries will lead to the expansion of capitalist expansionism and exploitation into the underdeveloped countries. According to Frank, the backwardness of backward regions did not occur because of the existence of archaic institutions in these regions or because of lack of capital. On the contrary, the world capitalist growth process that leads to economic development is the main reason for the backwardness in these regions. In the world capitalist growth process, satellite countries have been pushed backwards, while metropolitan countries have followed a trend of development and growth thanks to surplus value and raw materials they have obtained from satellite countries.

In this section, theoretical foundations of Dependency Theory, the main idea and theory and the debates of the scholars who developed the theory were examined. The next section will examine the theory of globalization, which comes from the foundations of modernization and has gained a theoretical acceleration at the end of the 20th century.

### **3. DEVELOPMENT AND GLOBALIZATION**

#### **3.1. THEORETICAL FRAMEWORK OF DEVELOPMENT**

It has been claimed that the idea of development was invented as a plan to rescue the economically backward and decolonized countries from communism and to direct them to a capitalist path. In this context, the development project, supported by international cooperation of the institutions and governments in the rich North, is based on economic growth, industrialization, modernization and capitalism. Nevertheless, the failure of the development project in the underdeveloped countries in the 1970s and 1980s and the pressure of revolutionary change that came with the global economic crisis shook the foundation of this development project. In fact, the concept of development is a part of imperialism and a project that considers the interests of imperial powers (Tucker, 1999).

The development project that emerged in the postwar period and in the context of the decolonization process is based on the idea of financial and technical assistance to the economically backward countries of the Third World. However, this idea is quite controversial. The concept of development is based on the idea of progress in the age of enlightenment in the 1700s and the idea of equality, the idea of freedom, and the creation of a just and modern society (Shenton & Cowen, 1995, pp. 29-31). However, the idea of development, which emerged as a post-World War II project, is not the same as this origin.

The basic context that formed the basis for this evolution in development theory emerged within the framework of the theoretical world economic order created in Bretton Woods, in addition to the anti-colonial movements and nationalisms, and the ideological struggle between the east and west, and the Cold War. This period was named as the golden age of capitalism by Stephen A. Marglin and Juliet B. Schor in the book with the same title published in 1992.

It is necessary to look at the liberal ideology to read the concept of globalization. Liberalism has taken its place in the world literature with the Enlightenment period and has revealed itself as political, economic and social by the French Revolution. In liberalism, the individual is a fundamental subject. The understanding of securing the

individual's political and economic rights is dominant. Minimizing the intervention of the state the market in economy is advocated. Liberalism has also benefited from conservatism and socialism and developed itself (Wallerstein, 2003, p. 75). The 20th century, which had witnessed to two world wars, the unbelievable development of technological and scientific developments and the global traffic of information, also includes new theories and ideas in sociological and political manner. In the last decade of the twentieth century, such ideas as the End of History reveal how important the neo-liberal perspective is<sup>9</sup>. The liberal theory should be thoroughly examined before looking at the arguments of neo-liberal theory and how it developed. Liberalism, socialism and conservatism have all emerged with the French Revolution. At the same time, these ideologies have never brought a single and definitive interpretation, but have been diversified with different interpretations of different thinkers (Wallerstein, 2003, p. 75).

The most important factor in the narratives of liberalism is the concept of individual. The question of what should be the boundaries of the state and the question of determining the area of freedom of the individual is the basis for the narratives of liberalism. At the same time, liberalism, which contains detailed narratives in economics, defends the market economy and free market order.

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<sup>9</sup> Fukuyama's article titled as mentioned above was written in 1989 when a lot of drastic changes occurred in history. Socialism perceived by the Western Bloc as the main threat to liberalism was overcome by collapse of the Soviet Union. During such an unpredictable changes taking place Francis Fukuyama wrote his article in which he summarized his bold argument as this is the end of history and economic and political liberalism gained the victory over socialism at the end of the 20th century. According to Fukuyama that end discoursed by Hegel was liberal victory over alternative ideologies. Furthermore, Fukuyama referred to Marx's understanding of historical materialism. Marx talked about an 'end' of the historical direction which has a purpose of achievement of a communist Utopia. Fukuyama agreed with teleological understanding of Marx, but disagreed with which ideology won at the end. Fukuyama continued with historical developments to ground his argument. He stated that major challenges to liberalism; communism and fascism were eliminated by the consciousness of modern mankind. He believed that fascism was overcome by World War II, and the other challenge was more difficult than that: communism. According to Fukuyama the idea of Marx that contradictions between capital and labor cannot be solved within the liberal context has already been disproved. Classless society was achieved by United States. Why I think that Fukuyama had chosen examples from history which serve to his purpose and that he ignored other facts can be clearly observed right here. He did not include any contradiction in the US society like continuously increasing racial conflicts. Moreover, immigrants coming to the US from the South were not included in the article, but this does not mean that they have not been faced with contradictions in the society. Fukuyama was also in contradiction with himself. He claimed that states like China and the Soviet Union were not liberal literally, but this is not a must for victory of liberalism over alternatives 'at the end of history'. This means that Fukuyama himself accepted that not all countries could become liberally equal.

Liberal thought is shaped around the individual and the subject that liberalism considers as the center is the rational individual. Kant and other thinkers who lay the foundations of liberal thought say that the individual is a supra-social entity and that individual interests are above social interests. According to Kant, the individual himself is an aim and can never be the means (Kant, 2006, pp. 3-8).

The concept of freedom is also very important on the basis of liberal thought. Without liberty, liberalization is not possible. In order to realize individual interests, the freedom of the individual is essential. Freedom in liberalism is a negative freedom. Negative freedom is to give freedom to the individual without preference from outside. Economic freedoms are also the basis of liberalism. The liberal thought, which argues that the market economy allows for economic freedom, is in favor of the emergence of competition.

In liberal capitalist societies, the market has been freed from state authority and has become free. The limitation of the state is an important element of liberal doctrine. The only task of the state is to provide security against the dangers that may come from outside. The market economy is a social system based on the division of labor under the private ownership of the means of production. Individuals are consumers with their income in return for their production and become customers for other producers. According to liberal thought, the market economy is the creator and also the result of political and economic freedoms.

Liberalism has experienced serious crises throughout its history. The crises of the 1929 and the 1970s were the crises that seriously shook liberalism. The crisis of 1929 was tried to be overcome by liberalism with Keynesian policies and it worked until the 1970s. The crisis in the 1970s was tried to be overcome by a neo-ideology called globalization, which emerged after the collapse of the 1989 Berlin Wall and the collapse of the Soviet Union.

Globalization has become reality through integration efforts such as the Bretton Woods agreement and the GATT agreement, which aimed to expand the slowing world economy after World War II. This process of internationalization, which did not involve

the Communist and Third World countries, supported multinational firms and paved the way for them to become actors in the international arena. "...globalization is only a manifestation of the corporate power of world capitalism" (Utkin, 2002, p. 25).

There is no single agreed definition of globalization, indeed, some argue that its significance has been much exaggerated, but as the ever-increasing numbers of books and articles discussing different aspects of it suggest, it appears to be an idea whose time has come in sociology in particular and in the social sciences in general. (Sklair, 1999, p. 144)

The world economy, which went through a crisis-free period on the basis of the Keynesian welfare state until the 1970s, entered into crisis with the collapse of the Bretton Woods system in the 1970s.

... This brings me to the point of my analysis which has to do with political cultures. Those of a large part of the European continent can be seen as a series of major developments that led to the right/left split: the philosophy of the Enlightenment, the French Revolution and in particular the Montagnarde Convention, the formation of the socialist workers' movement in the nineteenth century, Marxism and the Paris Commune, and the Russian Revolution and the formation of the communist parties. The right formed in counterpoint during the Restoration (the Holy Alliance), through the formulation of anti-Marxist ideologies (veering towards fascism), pro-colonial (and racist) ideological corruption, and anti-Sovietism. The stages in which the political culture developed in the United States are quite different: the immigration to New England of anti-Enlightenment sects, the genocide of the Indians and slavery within society (the impact of which is much more devastating than that of the slavery practiced in distant colonies), and the collapse of the conscience of the political class, which successive waves of immigrants replaced with communitarianism. The political culture produced by this history is not that of a strong (potentially socialist) left/right contrast but a pro-capitalist "consensus" which puts the electoral bipolarity (Democrats/Republicans) clearly into perspective.

The question being asked in Europe today is whether the legacy of its political culture will crumble away (and the left as the deliverer of a post-capitalist project disappear) to the benefit of the Americanization currently in progress (social-liberal parties joining the chorus of defenders of eternal capitalism), or whether a new left will be capable of uniting behind programs that are up to the challenges. Either, in my opinion, is possible. (Amin, 2006, p. 37)

There is a huge welfare gap between underdeveloped and industrialized countries. People living in underdeveloped countries still do not benefit from adequate health, nutrition and education. Problems such as poverty and unemployment still affect the wider masses. The rapid change in information and communication technologies, the significant decrease in transportation costs and the increase in the speed of transportation are related to the rise of neoliberal policies in the 1970s due to the commonization in the production market. The characteristics of the 1870-1919 period, which was described as the first globalization, reappeared in the period up to the 70s after the Second World War (Şenses, 2009, p. 235). “Globalization refers to the merger of national economies into a single worldwide system.” (Utkin, 2002, p. 4)

Fernand Braudel, on the other hand, examined the rate of occurrence of historical events in three categories: instant events, cyclical events, and "Longue durée" events. While instant events occur in everyday life and take a short time to live, conjunctural events develop more slowly and occur in decades. Longue durée events, on the other hand, represent centuries of events, such as the collapse of the Roman Empire. At this point, James Rosenau wanted to show the effect of technological developments on our perception of the speed of events. He said that Braudel's categorization would have meant much shorter times if it had been done in the age of globalization (Rosenau, 1997).

Societies have expected economic development in the post-1945 period and the future of modernization. However, this expectation could not be met in the 1980s. Today, however, world capitalism is more than just a structure composed of national capitalisms. It has become globalized as a system dominated by multinational corporations that can create impacts all over the world at the same time, think of each country as a potential market and production area and do not recognize borders in the field of action. This is the basis of being called a global structure, not an international one.

Multinational corporations, liberalization of foreign trade and policies to increase Europe's position in the world economy can show why this period can be interpreted as a period of globalization. However, the success of the independence movements in the less developed countries after World War II, and their focus on their internal economies and their integration with the world economy, are proof that this period cannot be considered

as the period when globalization began. In addition, foreign direct investments were skeptical and excluded from the international financial markets due to the Cold War period. Therefore, it cannot be said that this period is the period in which globalization has spread and the beginning of its present state (Şenses, 2009, p. 237). Significant developments were experienced in terms of the emergence of globalization in the period between the oil crisis and the 80s. International financial flows have been the pioneer of globalization.

However, this process caused the international debt crisis and led to the globalization of neoliberal policies under the guidance of international institutions to spread to less developed countries (Şenses, 2009, p. 238). Therefore, the IMF and the World Bank's (WB) efforts to spread neoliberal policies to less developed countries have been the main factors determining the character of the period. International institutions such as the World Trade Organization (WTO), IMF, WB and industrialized countries supporting the spread of neoliberal policies are the main actors that accelerate the globalization process. With the dissolution of the Soviet Union, the idea that an alternative doctrine would not be possible with neoliberal policies became widespread and this view was supported by the transformation of the former socialist countries to the neoliberalization process.

Another event that supported the view that there was no alternative was the crises in Asia at the end of the 90s. With the economic crisis, the alternative model applied by East Asian countries has lost its power<sup>10</sup>. Neoliberal economic policies have started to give negative results. Its advocates argued that such problems were experienced because the underdeveloped countries could not implement neoliberal policies correctly and refused to see the dilemmas within the system itself (Şenses, 2009, p. 239).

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<sup>10</sup> South Korea, Taiwan, Singapore and Hong Kong, known as Southeast Asian tigers, experienced economic crises in the 1990s. Crises have been experienced due to rising workers' wages, shrinking export markets and the emergence of better firms in a competitive environment, the depreciation of the Japanese currency, and the economic situation in these countries, which have high levels of dependence on the world economy, has become extremely sensitive. The tigers' relations with Japan became interesting by the mid-1990s. As Tigers' exports to Japan increased, their trade deficits increased. This is because they are industrially dependent on Japan. Tigers, who are technologically dependent on Japan, are commercially dependent on the United States, which has reduced the international competitiveness of the Tigers.

With globalization, non-governmental organizations have become more effective in the international arena. Their numbers have steadily increased. As Scholte pointed out in 1993, the number of NGOs reached 17,000 in the mid-1980s, while in the 1990s there were more than 150,000 multinational companies and affiliated companies (Scholte, 1993, p. 45).

### **3.2. THEORETICAL BACKGROUND OF GLOBALIZATION**

Globalization, which has emerged with the developments in communication and transportation technologies, has gained a very important place in our age. The values of the Western world are imposed on Third World countries. The most important factor that gives rise to these results is the developments in communication technologies. In the last quarter of the twentieth century, the fall of the Berlin Wall in 1989, the end of the bipolar world and the criticism of the Keynesian state took place, were marked by neo-liberal policies. Margeret Thatcher in the UK, Reagan in the United States set the neoliberal doctrine as the policy of their governments. With the acceleration of technological developments, the flow of capital between core and peripheral countries has accelerated and a global network has been formed, the effect of which is spread throughout the globe. The IMF's prescriptions for Third World countries can be read as testing the new doctrine, designed by the north and tried to be validated on the south.

...as I have already said, the capitalist system has definitely entered the advanced stages of senility, inasmuch as the seriousness of the contradictions resulting from the implementation of the system is such that their management entails the permanent use of the greatest political and military violence that the system's masters can muster, including the permanent war of the North against the South. (Amin, 2006, p. 43)

Thinkers like Fukuyama argue that the capitalist Western bloc and the Socialist East bloc came to an end with the fall of the 1989 Berlin Wall and the bipolar world order was left behind. Fukuyama stated that the world reached the end of history and reached a political end at this stage<sup>11</sup>. The East-West blocks were separated from the foundation by

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<sup>11</sup> Fukuyama's article titled as 'The End of History' was written in 1989 when a lot of drastic changes occurred in history. Socialism perceived by the Western Bloc as the main threat to liberalism was overcome by collapse of the Soviet Union. During such an unpredictable changes taking place Francis Fukuyama

their ideological character. In the newly emerging order, North and South show differences, but these differences emerge mainly at the level of economic development. The so-called Third World countries represent the poor South within the new system. These countries are considered to be the countries that have not reached the level of development of the rich North countries. The use of the concept of New World Order in the same sense as globalization stems from the attempt to overcome the crisis in which capitalism enters by establishing a new world order with the understanding of globalization. Ideologically, this new order has adopted the neo-liberal doctrine. Successful implementation of neoliberal understanding will bring globalization. Neoliberalism built on doctrines such as free market, full competition environment and minimal state understanding will succeed if the whole world becomes a market.

The idea of establishing the New World Order on a world-wide market has become an indispensable target for the wealthy Northern countries that adopt neo-liberal policies. In fact, the language George Bush used in his first war with Iraq in 1990 reveals this obsession. Following the IMF's debt to Iraq, one of the most important carrier institutions of the New World Order, Iraq's refusal to follow IMF's recommendations, and the invasion of Kuwait which caused damage the international oil market, the US war in Iraq was done to show what could happen to countries that refused to comply with the New World Order. In the Communist Manifesto of Karl Marx and Friedrich Engel, there is a situation in which the transition from national to international economies is at stake. The concept of globalization, which sees the whole globe as a market and a market, is in fact a threat to the nation-state (Marx & Engels, *The Communist Manifesto*, 1948, pp. 49-50). It is also possible to say that globalization is not a new phenomenon and that the trace goes back a long time. Considering the extent and intensity of world trade towards the end of the 19th century, we understand that the history of globalization is not close. However, it cannot be denied that the current stage of globalization is undeniably moving

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wrote his article in which he summarized his bold argument as this is the end of history and economic and political liberalism gained the victory over socialism at the end of the 20th century. "What we may be witnessing is not just the end of the Cold War or the passing of a particular period of post-war history; that is the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government. (Fukuyama, 1989, p. 4)"

in a wide area. As Anthony Giddens describes, globalization is a set of phenomena where complex processes come together. It creates cause and effect for cultural and social processes as well as economic processes (Giddens, 2002, pp. 23-24). With the globalization, the speed and intensity of capitalist relations increase. One of the main drivers of this situation, multinational companies played an important role in increasing globalization tendencies. Countries with multinational companies tend to act jointly because of their common interests in the international environment due to risk partnership.

Globalization has political and economic as well as cultural effects. Globalization due to the phenomenon of consumption creates similar consumption trends all over the world. Similar consumption flows that lead to uniformization serve the basic capitalist goal, which aims to increase the terms of profit.

The international cooperation project for both development and globalization has been established in the form of projects designed to serve the US foreign policy objectives and to promote the interests of the capitalist enterprise. Immediately after World War II, within the institutional framework of Bretton Woods world order, the United Nations system prevented any country from acting with the motive of establishing world domination. But with the collapse of the Berlin Wall and the dissolution of the Soviet bloc, a new form of imperialism emerged.

Thousands of NGOs and international tensions that emerged towards the end of the 20th century have complicated international relations under globalization. James Rosenau, who called developments such as the withdrawal of the Soviets from Afghanistan, the declaration of a ceasefire in Nicaragua, the gathering of the warring parties in Cambodia, the end of the Iran-Iraq war as positive effects of globalization, argued that some tensions would still cause war, and all this he argued that it is not understandable that the positive developments take place one after the other (Rosenau, 1997, p. 426).

Many international tensions that have denied the proponents of the neo-liberal doctrine claiming that globalization will prevent wars and that nation states that become

dependent on each other will avoid war have taken place in history. The ongoing war between Israel and Palestine, the US-UK joint invasion of Iraq which seized to acquire the control of the petrol reserves, the tensions in the Middle East, the unresolved situation in Syria and the immigration problems related to them, reveal how long globalization brings peace.

My analysis of really existing capitalism leads me to a completely different conclusion. This system—in its globalized liberal form—is not viable, inasmuch as the chaos that it engenders, far from being controllable by the means contemplated by the system's ruling classes, can only become rapidly worse in dramatic proportions. (Amin, 2006, pp. 32-33)

### **3.3.THE HISTORY OF GLOBALIZATION**

The history of globalization and change in national economies is old. In the middle of the 20th century, this trend became widespread and the globalization of national economies accelerated. In 1974, Chilcote and Edelstein, quoted from Sunkel (1972)<sup>12</sup>, summarizes this situation in the following:

...while in 1945 there were seventy-four of these firms<sup>13</sup> with manufacturing subsidiaries in this region<sup>14</sup>, in 1967 the number of their subsidiaries in the region had increased from 182 to 950, and the total number of subsidiaries from 452 to 1924 (Chilcote & Edelstein, 1974, p. 60).

Sunkel explains this situation as follows:

...first, they export their finished products; then they establish sales organizations abroad; they then proceed to allow foreign producers to use their licenses and patents to manufacture the product locally; finally, they buy off the local producer and establish a partially or wholly owned subsidiary (Sunkel, 1972, p. 521).

The expansion and dominance of foreign capital in Latin America continued to rise rapidly in the first half of the 1960s. Until 1968, foreign capital reached 9 percent in Latin America (Sunkel, 1972, p. 526). According to Chilcote and Edelstein although

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<sup>12</sup> For primary source and more detailed information, see: (Sunkel, 1972, p. 523)

<sup>13</sup> Using "these firms", the author refers to trans-national corporations.

<sup>14</sup> Osvaldo Sunkel made this work for the Latin America region.

there is not a situation of inability to produce wealth in Latin America, poverty is a general fact in the region. Chilcote and Edelstein, quoted from Magdoff's work of 1968<sup>15</sup>, supported their argument with the following data: "...between 1950 and 1965, income on foreign investment transferred to the United States (\$11,300 million) exceeded U.S. investment in Latin America (\$3,800 million) by \$7,500 million" (Chilcote & Edelstein, 1974, p. 61).

Latin America will remain essentially as we know it today, but with growth in liberalism in the Southern Cone and Mexico, progress towards the integration envisaged by the Free Trade Area of the Americas project, and acknowledgment within this context of Washington's "leadership." The "vestige of the past" (Cuba) will disappear, populist uprisings (of the Chávez type) will come to nothing, and the increase of indigenism will be absorbable. (Amin, 2006, p. 31)

Foreign capital, which developed and matured in domestic economies, then did not invest the profits in these countries and transferred it to its own country. "In the U.S. capital, the "Washington Consensus" has been worked out: an agreement between the U.S. Treasury Department, the International Monetary Fund (IMF), and the World Bank to engage in a joint struggle against all obstacles to world trade." (Utkin, 2002, p. 7) While the large manufacturing plants that produced a large scale up to the global crisis of 1973 were at the center of the economy, in the post-crisis period an international financial system focused on metropolises emerged. With this formation, geographical regions lost their meaning. The national economies have become globalized and the financial system has no borders. Local problems have started to create global impacts and at the same time regional developments have produced global results. Thanks to the rapid information flow, which is the output and return of technological developments, a situation occurring somewhere in the world spreads rapidly to the whole world and has effects globally. This situation leads to the weakening of national borders, the similarity of institutions and the transformation of social structures.

Globalization has been presented as a form of development, that is, the best way of economic growth and to lead countries towards a prosperous future. But the project of

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<sup>15</sup> For primary source and more detailed information, see: (Magdoff, 1969, pp. 198-202)

international cooperation for both development and globalization can in fact be read as a mask of American imperialism.

As John Gray, the American analyst, writes: “Global laissez-faire is an American national project.” His compatriot David Calleo says: “Globalism American-style means a unipolar Pax Americana, not a diversified pluralistic world where power must be shared. The gap between a fixed unipolar imagination and the growing pluralistic tendencies in the real world represents a steadily growing danger. This danger is manifest in the political line that opposes America to the interests of Russia, China, and even Europe, all at the same time.” (Calleo, 1999, p. 12) (Utkin, 2002, p. 20).

In the post-war period, a system designed to improve the economic interests of the United States developed. Economically backward countries act as exporters of raw materials required for US industrial centers.

It is important to note however, that around two thirds of the real wage convergence in the Atlantic Economy during the first wave of globalization, is associated with international migration from Europe to the countries of the New World, rather than with international trade. (Solimano, 2001, p. 26)

Inequality during the first wave of globalization:1870-1913

In sum, the empirical evidence of the first wave of globalization shows that, indeed, convergence of both *per capita* income and real wages took place within the Atlantic Economy, the group of more advanced countries in the world economy, thereby reducing initial real wage and *per capita* income gaps among these countries. Convergence was due to both an increase in international trade and, to a large extent, to massive international migration. (Solimano, 2001, p. 26)

The De-Globalization, 1914-1950 period

... global disparities widened in the de-globalization period, both between the richest and poorest regions in the world economy ... and among the countries of the Atlantic Economy, reverting the trend towards convergence observed during the first wave of globalization of the 1870-1913 period. (Solimano, 2001, p. 27)

The Second half of the 20<sup>th</sup> century: Golden Age and the Second Wave of Globalization

... two sub-periods when analyzing the second half of the 20<sup>th</sup> Century. The period 1950-1973 which has been termed the “golden age of capitalism” (see Margin and Schor, 1991) ... The “golden age of capitalism” period were near 25 years of rapid growth, relative stability and declining inequality based on a globally and nationally regulated mix economy. (Solimano, 2001, p. 27)

**Table 1: GDP Per Capita Performance in The Three Most Successful Phases Of The Capitalist Epoch (Percentages)**

	Annual Average Compound Growth Rate			1998 World Share	
	1950-1973 (golden age)	1973-1998 (neo-liberal order)	1870-1913 (liberal order)	GDP	Population
Panel A					
Western Europe	4.08	1.78	1.32	20.6	6.6
Western offshoots	2.44	1.94	1.81	25.1	5.5
Japan	8.05	2.34	1.48	7.7	2.1
Total advanced capitalist	3.72	1.98	1.56	53.4	14.2
Resurgent Asia	2.61	4.18	0.38	25.2	50.9
Advanced Capitalist & Resurgent Asia (49)	2.93	1.91	1.36	78.6	65.1
Panel B					
40 Other Asia	4.09	0.59	0.48	4.3	6.5
44 Latin America	2.52	0.99	1.79	8.7	8.6
27 Eastern Europe & former USSR	3.49	-1.10	1.15	5.4	6.9
57 Africa	2.07	0.01	0.64	3.1	12.9
Faltering economies (168)	2.94	-0.21	1.16	21.4	34.9
World	2.93	1.33	1.30	100	100

**Source:** Maddison, *The World Economy. A Millennial Perspective*. Development Centre Studies, Organization for Economic Cooperation and Development (OECD), 2001, p.129.

For Latin America, the golden age period was the most dynamic in terms of rates of growth GDP compared to previous periods and also compared with the second wave of globalisation (post 1973). In fact, the average annual rate of growth of *per capita* GDP in Latin America was 2.52% in 1950-1973. (Solimano, 2001, p. 28)

In sum the main regional winner of this period is Asia (particularly Southeast Asia, China and India). The main losers are the former socialist block of Eastern Europe and the former Soviet Union. Therefore, average regional convergence operated for Asia and divergence has been taking place for Eastern Europe and the former Soviet Union during the first wave of globalization. (Solimano, 2001, p. 29).

Convergence “If absolute convergence holds we should observe in the data a negative correlation between GDP levels and growth rates with poorer economies growing faster than richer economies ... Conditional convergence, in turn, controls for other determinants of growth besides initial income ... conditional convergence requires that all countries share similar values for the determinants of growth and therefore the same steady-state value of long run income per head.” (Solimano, 2001, p. 29)

In summary, these cross-country empirical studies find a positive correlation between economic openness and growth and find a sizeable growth premium for countries integrating to international trade. However, the growth premium of openness is not stable over different time periods and becomes weaker for poor countries. No systematic direct relationship between trade and national inequality is found in the analysis. (Solimano, 2001, p. 29)

The econometric evidence of cross-country studies reviewed in this paper points to a positive association between economic openness and GDP growth and to convergence for open economies versus “closed” economies ...convergence is weak for poor countries. (Solimano, 2001, p. 34)

**Figure 1: Conceptualizing Globalization: Three Tendencies**

	Hyper globalists	Skeptics	Transformationalists
What's new?	A global ago	Trading blocs, weaker geo-governance than in earlier periods	Historically unprecedented levels of global interconnectedness
Dominant features	Global capitalism, global governance, global civil society	World less interdependent than in 1890s	"Thick" (intensive and extensive) globalization
Power of national governments	Declining or eroding	Reinforced or enhanced	Reconstituted, restructured
Driving forces of globalization	Capitalism and technology	States and markets	Combined forces of modernity
Pattern of stratification	Erosion of old hierarchies	Increased marginalization of South	New architecture of world order
Dominant motif	McDonalds. Madonna, etc.	National interest	Transformation of political community
Conceptualization of globalization	As a reordering of the framework of human action	As internationalization and regionalization	As the reordering of interregional relations and actions at a distance
Historical trajectory	Global civilization	Regional blocs/dash of civilizations	Indeterminate global integration and fragmentation
Summary argument	The end of the nation state	internationalization depends on state acquiescence and support	Globalization transforming state power and world politics

Source: Held, McGrew, Goldblatt, & Perraton, *Global Transformations: Politics, Economics, and Culture*, Stanford: Stanford University Press, 1999, p. 10.

The theory of modernization explains the underdevelopment of non-Western societies by insisting on traditionalism and being closed to scientific and technological developments. Underdeveloped countries must adapt to and imitate the values of advanced societies. Among the theories and researches about how development is

possible, Walt Rostow's work "Stages of Economic Growth" comes to the forefront. According to Rostow, traditional society is the first stage in a society in which the producers consume the product and the goods are interchanged. The primitive stage of society involves limited production. The primitive technological level allows for a production that enables the society only to sustain itself. Rostow calls the second stage the transition stage. At this stage, where the primitive society begins to develop, the transformation of society is only possible through an external intervention, which is usually done by a developed country. Pre-condition for take-off is an important feature of this process. Entrepreneurs, revenues and investments start to increase. Primary products begin to circulate commercially in society. At this stage, the transition to modern society is experienced. The developmental forces become dominant in the society and strive to produce and profit in order to protect their interests. In the third phase, which is called as take-off phase, a transition from agriculture to an industrial society is observed. Growth occurs only in some parts of the society and in particular industries focused on certain products. After industrial transformation, the construction of the necessary institutions occurs. In the next stage, innovations are observed that try to make the economic development mature. The economy is grown and is open to new areas now. Technological developments increase investment opportunities. The industry, which operates in the major areas in the previous stage, is spread to the wider area of society, and the dependence on imported products in production is greatly reduced. In the final stage, there is an economic saturation in the society and the "age of high consumption" process begins (Rostow, 1959, pp. 5-11).

The theory of modernization explains underdevelopment only through the internal dynamics of societies. It completely ignores the history of colonization of Western societies and Western Europe and America's share in the process of underdevelopment as global actors. Dependency theory, imperialism theory, Wallerstein's World-Systems Perspective are new global models against modernization theory. Globalization has begun to be read in the same sense as hegemony. There is inequality inherent in the process of globalization. "Imperialism is not a stage, not even the highest stage, of capitalism: from the beginning, it is inherent in capitalism's expansion." (Amin, 2001, p. 6).

The claim that globalization is imperial rests on two counts: first, the fact that many important choices—and perhaps even national destinies—seem already decided because of globalization; and second, that certain privileged countries benefit from (or at least experience no loss of freedom from) these same processes of globalization. Both of these elements are comprehensible in light of the network power of dominant global standards. (Grewal, 2003, pp. 97-98).

The fact that universalizing tendencies are at the forefront and that global dominance is not on the agenda is an attempt to cover up the unequal nature of the globalization process. Giddens sees globalization as a result of modernization (Giddens, 1990). However, this point of view leads to the conclusion that modernity is becoming increasingly globalized. Before coming to the stage of globalization, it creates a false perception that modernity is less global. In this respect, globalization is read as an evolutionary new stage in international relations. However, although globalization has created a change in time-space, it still operates in accordance with the basic rules of capital accumulation (Harvey, 1989, pp. 121-173).

According to the neoclassical understanding of economy, flexible market will automatically create employment and economic crises will not occur. However, this understanding was destroyed by the World Economic Crisis of 1929. During this period, Keynesian policies were believed to prevent crises until 1974 when Keynes proposed policies to overcome the crisis. However, with the crisis of 1974-1975, the crisis of developed countries ended this situation. After World War II, automobile, apparel and durable consumer goods industries expanded but at some point they reached saturation. The market contracted, profits and productivity declined. With the rise of socialist movements, labor costs increased and had a negative impact on productivity. The non-functioning of the Keynesian thought brought with it a new phase of the capitalist internal cycle, and issues such as free market economy and privatization became the agenda again. Integration and a high level of interdependence in the world economy have increased the impact of a situation anywhere in the world on other regions. Japan's economic stagnation in the 1990s had a negative impact on other countries with which it had commercial relations. The chain crises in Southeast Asia in 1997 significantly changed the prices of products in the world. As a result of the crises experienced by Southeast Asian countries,

which are at the top of the list in terms of raw material consumption, gold, aluminum and oil prices decreased due to the decrease in raw material consumption. The crisis subsequently affected Russia and forced it to devalue its currency. This situation shows the extent of globalization.

Globalization is not a phenomenon that the world has experienced recently. From the first half of the 19th century to the World Economic Crisis of 1929, globalization was also experienced. In this period, migration movements were quite high and human mobility was not restricted. However, the phenomenon of globalization lost its existence in the world polarized by World War I, the Economic Depression of 1929 and finally the Cold War. With the fall of the Berlin Wall, a period that we can call the second globalization started. The concept of globalization is not unique to the last thirty years. Inter-country trade is a situation that has lasted for ages, and investment has been continuing in other countries with the ease of transportation for a few centuries. Globalization is the acceleration of the expansion of capitalism for the last 20-30 years.

Globalized liberalism always prefers small states to large ones because it is easier to dismantle the functions of the state in the case of the former...What is certainly true is that the major concepts concerning the enlargement of the EU are no different from those that underpin U.S. plans for the integration of Latin America into a vast Free Trade Area of the Americas. (Amin, 2006, p. 35)

When we read capitalism as the economic system that creates the polarization of wealth between social classes, we can see that it produces differences in capital accumulation and income levels within and between countries. "... and the gaps between the rich and the poor are widening in our globalizing world. However, this is rarely seen as the class polarization crisis that it really is." (Sklair, 2006, pp. 34-35). "The cultural-ideological project of global capitalism is to persuade people to consume above their biological needs in order to perpetuate the accumulation of capital for private profit; in other words, to ensure that the global capitalist system endures." (Sklair, 2006, pp. 31-32).

According to the World Development Report of 2000 by the World Bank, in 1999, 22% of national income was saved in rich countries. In Latin America and the Caribbean,

the Middle East and North Africa, South Asia, South Africa, this ratio was always lower. The bipolar world order collapsed at the end of the 1980s and the concept of globalization became very widely used (Wallerstein, 2000, pp. 257-258).

The real multipolar world will only become a reality when the four following conditions are fulfilled:

1. Europe must be well and truly on the way to building “another social Europe” (and therefore engaged in the long transition to global socialism) and it must begin its disengagement from its imperialist past and present. Clearly, this means more than simply abandoning Atlanticism and extreme neoliberalism.
2. In China the path of socialism must prevail over the extremely adverse and illusory trend toward building a national capitalism that would be impossible to stabilize because it excludes the working class and peasant majorities.
3. The countries of the South (peoples and states) must succeed in rebuilding a common front, which in turn provides room for maneuver and enables the popular classes not only to impose concessions in their favor but, beyond that, transforms the nature of the powers in place, replacing the dominant compradore blocs with national, popular, and democratic blocs.
4. As regards the reorganization of the systems of national and international rights, progress must be made in a direction that reconciles respect for national sovereignty (by progressing from the sovereignty of the states to that of the people) with that of all individual and collective, political and social rights. (Amin, 2006, pp. 48-49)

The concept of globalization is used in expressing situations and changes such as experiencing the information age, understanding of service society, post-modernism and a stage of capitalism (Scholte J. A., 2000, p. 14). Globalization has been tried to be defined from different perspectives. Different points of view have not reached a consensus on the definition of the concept. While Scholte defines globalization as the current process of being global (Scholte J. A., 2000, p. 15), Stiglitz says that globalization can be explained as the main cause of misery, hunger and ecological problems besides massacring indigenous cultures (Stiglitz, 2000). There are also debates that keep globalization the same as the concept of modernization (Held & McGrew, 2000, p. 1).

The criticism that the world for modernization has not evolved teleologically and that not all people have experienced the same thing at the same time is being made to globalization (Held, McGrew, Goldblatt, & Perraton, 1999, p. 14). Consequently, there is no single universally accepted definition of the concept of globalization. The concept of globalization is a highly polarizing, discriminating element rather than preparing a unifying ground (Robertson, 1992). Stiglitz argues that globalization is perceived differently by different people because it is experienced unequally by people (Stiglitz, 2000).

...what I called the law of globalized value has passed through successive forms, each specific to the particular phases of polarizing globalization: unequal trade to the phase of the industrial divide, giving way to new forms of extraction of the surplus produced in the “globalized” peripheries. (Amin, 2000, p. 62).

The authors of the liberal view argue that globalization increases prosperity, and say that it is inevitable for many at the same time (Busch, 2000, p. 30). Libertarians, who argue that economic globalization can be achieved by the liberalization of trade worldwide, say that this situation will have positive results for humanity and that full globalization is necessary. According to liberal thinkers, the removal of political barriers separating societies, the contraction of the concepts of time and space through technology, and the trade of people with each other are the necessities of globalization “and this situation does not cause inequality...and the point of political activity is to ensure that the conditions for consuming.” (Sklair, 2006, p. 32).

A group of thinkers argues that global economic integration will undermine the concept of the nation-state, and that transnational corporations, global institutions, and global culture pose a major threat to the existence of the nation-state (Sklair, 1999, p. 144). Global markets can escape the political arrangements of the state, because the authority of the state depends on the land. In a geographically unrestricted situation, companies prefer to invest in low-tax areas, and governments have to keep taxes low. States that lose control of companies are far from decision-making (Perraton, 2003, p. 37). The regulatory capacity of the nation-state is limited by the phenomenon of globalization, which destroys the autonomous identity of the nation-state (Antonio &

Bonanno, 2000, p. 60). As a result, the decline of the authority of the national government leads to an increase in the authority of local organs (Held, McGrew, Goldblatt, & Perraton, 1999, p. 3). “Capital has forgotten its own national affiliation, streaming in massive amounts wherever stability and high labor productivity ensure the highest profits.” (Utkin, 2002, p. 6)

It is argued by those who see globalization as inevitable that the state will inevitably attempt to attract foreign capital (Michael, 2011, s. 6). Kenichi Ohmae summarizes this situation as nation states used to be independent powerful elements, but today they became inefficient devices (Ohmae, 1995, pp. 8-9). He also says that in the world where the internet exists, the borders have no meaning (Ohmae, 2005). The opposing group of neo-Marxist, Keynesian theorists sees globalization as an economic process in which market and production activities are integrated across borders. Economic globalization is the main element of the phenomenon of globalization (Callinicos, 2007, p. 64).

Globalization is the worldwide expansion of the capitalist system (Boli & Lechner, 2000, p. 50). Liberals assume that technology is on equal terms all over the world at the same time and ignores the segment that has no access to technology. However, globalization is spreading exploitation (Sincar, 2001). Globalization deepens the inequality between the rich and the poor. As the complex and uncertain forces in the world market are now more powerful than the governments, governments face problems such as governing the national economy, providing employment and sustaining economic growth. If we make the interpretation of Marxist theory against capitalism as globalization, it can be said that globalization is a state of destruction of capitalism by its unobtrusive nature and it is a great threat to humanity through its most important tool, global corporations. When we look at the production process, capital has beaten labor and the production process has spread to different parts of the world and caused labor to become cheaper (Sklair, 1999, p. 160). Violations of fundamental labor rights, mass unemployment and employment problems are the result of this process. Problems such as climate change, depletion of ozone layer, destruction of biological species and pollution are also environmental damages that accompany capitalism. Companies that cause heavy

pollution and environmental damage have secured their assets by investing in areas with less environmental regulations (Scholte J. , 2005). Transnational capitalist class and consumer culture are trying to change the world within the global capitalist globalization project (Sklair, 1999, p. 157).

In a world economic system dominated by the concept of laissez-fair, poverty, inequality, environmental destruction, and the deficit of democracy have gradually increased and will continue to increase. Giovanni Arrighi says that financial development has taken place at least three times in the modern world system, so that globalization is not a new phenomenon, but a new invention as a concept (Arrighi, 2000, pp. 125-127). According to Wallerstein, the integrated world capitalist economy emerged in the 16th century. Although globalization emerged as a neoliberal ideology in the early 1980s and became widely used in the 1990s with the disintegration of the Soviets, it is not a new idea in the modern world system (Wallerstein, 2000, pp. 251-252).

According to dependency theorists, undeveloped countries can make progress by establishing their own national industries. According to ECLAC members, established in the early 1950s, post-colonial countries, called Third World countries, are seen as a market for cheap raw materials and processed goods in the interests of the West and are left underdeveloped. Dependency theorists refer to national elites as critical actors in the system. According to them, it is the local elite that makes the ground for the commercial and banking activities of transnational corporations and makes a profit from this situation. Globalization can be read as a project of developed countries' policy of regulating the world. US policies such as dollar borrowing and international dollar-equivalent investments are provided by the globalization project (McMichael, 1995).

When it is read as the integration of national economies with the world economy through liberalization, globalization is realized through foreign trade, international flow of funds and foreign capital. This process allows global actors such as the IMF, World Bank and WTO to be decision-makers who will undermine national economies and national policies. However, contrary to the general assumption that free trade is beneficial for everyone is wrong. Some countries have earned more than others, but many have never made any gains. The richest 20 percent of the world's population received 82

percent of the benefit of the increase in exports, while the last 20 percent received only 1.7 percent (Khor, 2000, p. 12). In addition, foreign trade deficits of countries increased with the freedom of foreign trade. Developing countries experienced an increase in their imports with the increase of foreign trade. This situation, which arose when international companies market consumer goods to developing countries, is a blow to the economies of the country. With the collapse of the Bretton Woods system, the increase in the transactions in the foreign exchange markets is the result of the international financial fund flows, which were highly liberalized in the globalization process.

In 1973, daily foreign exchange transactions increased from \$ 15 billion to \$ 900 billion in 1992. In 2000, it exceeded \$ 1 trillion per day and 98 percent of these transactions were made for speculative purposes (Khor, 2000, p. 3).

After the introduction of floating exchange rate system, the possibility of gaining foreign exchange transactions increased and international financial fund flows increased due to the fact that large transfers of fund on the international scale became technologically possible. After the introduction of floating exchange rate system, the possibility of gaining foreign exchange transactions increased and international financial fund flows increased due to the fact that large fund transfers on the international scale became technologically possible. As a result, situations such as financial destabilization of the countries where the funds enter and exit have emerged. The Thai financial crisis of 1997 is an example of this. First, a large amount of funds entered Thailand, which led to an increase in the value of assets, but then devaluated due to speculative transactions and capital outflows. The World Bank and the IMF advocate the liberalization of fund flows, but the possibility of risks and risks are not mentioned. The tight monetary policy and high interest rates applied to the countries in crisis situation deepens the crisis of the countries (UNCTAD, 1997, pp. 52-109).

Foreign capital investments also increased over time. The rate of increase has increased dramatically in the 90s. Foreign capital investments have become desirable due to their advantages such as expertise, employment and industrialization, but their costs have to be mentioned. Foreign capital investments provide foreign exchange input, but profits and capital revenues are transferred out. As the amount of investment increases,

so does the profit output. It is possible for foreign capital investments to have a positive effect on the balance of payments only if the investment input is more than the profit output. However, the situation is the opposite (Khor, 2000, p. 30). As a result, despite the promise of developing and underdeveloped countries to take part in the increasing world welfare during the globalization process, this has not been the case.

In the bipolar world system that was demolished in 1989, the Soviet Union, Bulgaria, Romania, Hungary, Czechoslovakia, East Germany, China, Yugoslavia, Cuba, Mongolia, Vietnam and North Korea adopted a socialist statist approach. The USA, Canada, Western European countries, Japan and Australia applied the free market economy model. Non-align countries have adopted a mixed model. If there is a socialist attempt in these countries, as in many examples in Latin America, it has been prevented by coups.

According to Susan Strange, the change and transformation that globalization speaks of is certainly nothing new. Wayne Ellwood says that globalization is a new word describing an old process (Ellwood, 2018, p. 13). For Paul Hirst and Grahame Thompson, today's internationalized economy is not a non-pre-process, but a myth of the extremists of globalization (Thompson & Hirst, 2003, pp. 26-27). According to Wallerstein, globalization has been around for 500 years. Geographical discoveries and capital began to circulate around the world (Wallerstein, 2000, p. 252).

The emergence of anti-globalization movements was triggered by the Zapatista guerrilla movement in Mexico, which was launched in 1994 against the entry into force of the NAFTA. NAFTA, liberal prescriptions and globalization have been the targets of the Zapatista movement (Ayres, 2004, p. 16). Ya Basta! Movement of the Ejército Zapatista de Liberación Nacional (EZLN), according to Wallerstein, is the pioneer and igniter of anti-system movements in the world (Wallerstein, 2008). The globalization process has increased the production of goods and services all over the world, making the Third World countries the production centers of the companies of developed countries.

The manufacturing and administrative centers of the US, European and Japanese companies that produce global brands are quite the same. Multinational and transnational

corporations invest in Asia and Latin America. Investments in Latin America, especially in the free trade production zone known as the maquiladoras of Mexico and in the South and the East Asia, India, Bangladesh, Malaysia, Indonesia, South Korea, the Philippines and of course in China are quite high (McNally, 2006, pp. 50-88). In Asia, Africa and America, raw materials were procured from the colonies established by the western countries from the 16th to the mid-20th century and turned into products in the central colonial countries and offered for consumption in the exploited countries and the domestic market. Under the name of globalization, developed countries have moved their production processes to the developing semi-periphery countries (Klein, 2002, p. 327). In order to achieve financial stability in an economy, the degree to which the economy is affected by internal and external shocks is very important. An economy that is open to shocks is quite suitable for entering a crisis.

The phenomenon of globalization is at the center of various fields of expertise, from geographers and sociologists to economists and political scientists, and has been dealt with in different paradigms from neo-classical economics and postmodern social theory to international realist theory and Marxism (Radice, 2000, p. 6). Humanity is in the midst of a period of change in the world and this period is reinforced by scientific and technological revolutions. Regardless of what it is called, it is a period of macro transition, and the resulting interdependent global environment causes the nation-state to lose its importance (Boyer, 1990, p. 51).

The emerging uncertain and multi-discourse globalization concept is one of the most common concepts used to understand the transformation of the global order in the 21st century (Bell, 2003, p. 802).

The period that began in the 1990s with the collapse of the Soviets called the New World Order, which was introduced as the end of history, can be read as a masked version of US hegemony. However, contrary to the expected new world order, uncertainty, insecurity and disorder have become widespread.

Modern international relations have been established on the basis of the discourse of state sovereignty with the Treaty of 1648 Westphalia, which concluded the 80-year war between Spain and the Netherlands.

In this international relations environment where the concept of security constitutes the main problem and horizontal organization in the international community, the nation-state is the main actor and state sovereignty is indisputable. It can be said that this understanding of international relations established by the Treaty of Westphalia in 1648 remained hegemonic until the end of the Cold War.

The world order established under the leadership of the United States, adopted by the 1944 Bretton Woods Agreement, breaks the hegemony of the nation-state, even though it includes important international organizations such as the UN, IMF, WB and GATT. More importantly, these interstate organizations serve as reinforcing American hegemony.

### **3.4.GLOBALIZATION IN LATIN AMERICA**

By the 1980s, almost all Latin American countries were experiencing a heavy debt burden and chaos and uncertainty under high inflation conditions. Public finance was eroded, particularly due to the worsening of terms of trade and the rise in international interest rates. The increase in interest rates both increased the cost of foreign debt and also caused capital outflows when combined with stagnation, economic instability, devaluation expectation and high tax rates. Other reasons for erosion were the accumulation of debts, the accumulation of debts following the debt crisis, the extension of external loans following the debt crisis, the acceleration of domestic debt and the acceleration of inflationist tendencies for the financing of current account deficits that emerged through the expansionary fiscal policies of the 1970s. In order to solve the crisis and structural problems deepened by long-standing populist macroeconomic policies, implementations have been started in line with the Washington Consensus.

At the root of the debt crisis are the policies directed by the state-led import substitution strategy. However, the fact that external resources were not transferred to export-oriented sectors and used in financing consumption and low-yield investment

projects in general, fed the capital outflow also aggravated the dimensions of the crisis. Structural adjustment policies were inadequate and ineffective against external shocks in the early 1980s.

For this purpose, tight monetary and fiscal policies were implemented, which made the economy stagnant and contracting, which prevented domestic savings from reaching a solid structure and increasing. In these economies with high savings gaps, most of the reforms have been implemented within the framework of the Washington Consensus. In the first half of the 1990s, reforms began to yield results, with partial improvements compared to the deep crisis atmosphere. Growth rates have increased throughout Latin America, more foreign capital entered the continent than expected due to the decline in US interest rates and improvements in international financial conditions, hyperinflation has disappeared, and the application of monetary expansion to finance public deficits has been almost abandoned.

Economic reforms in Latin America have deepened poverty and inequality and expanded the underprivileged classes. Long-term financial crises eroded the real wages of civil servants and public sector workers, and stabilization programs increased these costs. Financial pressure also reduced the quality of public services. The privileged groups under the old regime were able to benefit from the reform process with the advantage of their positions, and many public enterprise managers were enriched by privatizations. In Argentina and Bolivia, large companies with close ties to the former military regime also gained from privatization.

During the 1970s, governments borrowed heavily from foreign commercial banks, receiving support from low interest rates and high prices of export goods. When the loans of international commercial banks were interrupted after the debt crisis in the 1980s, these countries, which still had large current account deficits, tried to solve the financing problems by applying to private borrowing, asset flows and foreign direct instruments from international bond markets.

In Mexico, where financial markets were deregulated in the late 1980s and a large number of banks were privatized in the early 1990s, excessive borrowing of newly

privatized commercial banks with insufficient regulations increased the amount of domestic loans to a very high rate. One of the main reasons behind the collapse of the Mexican Peso in December 1994 was the credit boom and the associated increase in the proportion of bad loans in the portfolios of major commercial banks. The Mexican experience has shown that public debt bonds are short-term and that these bonds are denominated in foreign currencies. The situation in the Mexican experience has been the increase in public debt and the partial sterilization of outsourcing inflows and the implementation of monetary policies. Speculative capital movements increase the foreign exchange supply and thus the exchange rate is below the required value. This low exchange rate affects exports negatively and increases imports, thus causing current account deficits to rise, and as a result speculative capital movements turn the crises into a cyclical nature along with the dynamics that create crises.

Countries may experience internal shocks or feel external shocks at different levels depending on the characteristics of their production structures and relations, political and social structures and economic levels. Against these shocks, which may create instability and uncertainty in social life and economy, they implement monetary, fiscal, exchange rate and income policies to reverse or reduce the effects of these shocks. On the other hand, they develop and implement policies in line with their own structures or conjuncture strategies in relation to development, development and growth. Policies can be adopted and implemented in order to solve problems that arise in applications that have potential to create problematic dynamics or strategies that are not suitable for their own structure.

Keynesian economic policies based on aggregate demand have been able to solve the problem by imposing functions on the state that create demand and affect demand in the economy. Liberal economies, which oppose the existence and interventions of the state, have implemented Keynesian economic policies. When the domestic market reached saturation for intermediate and finished goods produced in the reviving and developing markets, new markets were needed.

There is a compromise between classes and social segments. Wages are high, as the purchasing power must be high in domestic markets. The non-wage cost elements are low due to the sale of goods and services produced by state-owned enterprises below the

world price. There are also government subsidies and incentives, price intervention and collective government purchases. Monopolies arising from foreign competition protection and licensing applications also enable high prices.

In the 1970s, this equality began to be a problem. The labor sector was strengthened by trade union activities and gradually increased the demands for improvement of working conditions and real wage growth. Non-wage production costs increased due to the oil crisis. State intervention in the economy has started to create inefficiency and negative externality. Consequently, there has been a squeeze in profit margins in central and peripheral economies. Bretton Woods Institutions and interested parties gathered under the Washington Consensus to solve the problem, and the actions to be taken in order to increase the profit margins are determined. The labor force must remain inactive and ineffective, as labor wage pressures should be reduced. This is why neoliberal policies in Latin American countries are implemented under authoritarian regimes after military coups.

On the other hand, the bargaining power of the labor sector needs to be broken, which has been attempted to be made more flexible. The public sector needs to be restructured in favor of the financial sector. Intervention areas need to be narrowed and the power to negatively affect profit margins should be taken away. Peripheral countries' dependence on the center in terms of both goods flows and capital flows should continue.

It can be said that globalization in the world economy is a multilayered process. Accordingly, globalization can be explained by four different transformation processes: national borders, the spread of social, political and economic activities between regions and continents, the rapid increase and intensification of interdependence through trade, investment, capital and labor flows, the capitalization of goods and services, knowledge and labor. the increase in the circulation of the markets through the development of transportation and communication systems and technological advancement and the acceleration of global activities, resulting in a phenomenon occurring anywhere in the world to create a global concept (Perraton, Goldblatt, Held, & McGrew, 1997, pp. 257-258).

The concept of globalization, which includes these transformation processes, has inevitably led to an outward opening in the economic structures of countries. However, the financial liberalization process brought about by this rapid outward opening has significantly affected the financial markets of developing countries. In these countries, the transition to financial liberalization without creating the necessary macroeconomic conditions increased the fragility in the markets.

Achieving financial stability in an economy is closely related to the degree to which the economy is affected by internal and external shocks. Therefore, it is inevitable that a financial system vulnerable to shocks will enter into crisis. Financial stability is achieved if the financial system is capable of facilitating economic performance and is able to cope with unexpected financial instability or internal imbalances. Therefore, the financial crisis arises when the system does not have this capability. The financial stability of the economy such as credit, liquidity, pricing, distribution and management mechanisms to function sufficiently to contribute to the performance of the economy is called financial stability (Schinasi, 2004, p. 8).

The adoption of an open-economy model of these countries has brought new policies to the fight against financial crises in Latin American countries. The neoliberal approach is based on the new practices introduced by the Washington Consensus, which provide macroeconomic stability and economic liberalization, and consequently, the promotion of fiscal discipline and privatization and the provision of financial liberalization (Paula, Ferraz, & Iooty, 2002, p. 469). Since the mid-1990s, especially with the 1994 Tequila crisis, capital flows to these countries have decreased significantly.

Strict measures have been taken against the high inflation experienced in the Brazilian economy since the early 1960s. In this context, a tight monetary policy was supported by a tight fiscal policy aimed at reducing budget deficits. However, although inflation decreased first, both inflation accelerated and production decreased in the long run. In the 1980s, the Brazilian economy entered a stagflationary process as a result of loose fiscal policies to compensate for oil shocks and decreases in production. In the 1990s, increasing interest rates and overvalued local currency increased the pressure on budget deficits, and budget deficits began to be covered by domestic borrowing rather

than external borrowing. Increasing domestic borrowing increased the burden on the central bank (Bruno, 1993, p. 186). During the period of 1991-94, the public financial balance increased by 8 percent to 2.9 percent from the deficit, money stock decreased and inflationary expectations were tried to be broken (Giambiagi & Ronci, 2004, p. 4).

Excessive expenditures were covered by hot money flows from international capital markets, consequently public-private borrowing increased and financial deficits increased. The central bank adopted the floating exchange rate by trying to sterilize these capital inflows through open market operations to prevent monetary expansion. However, these applications led to an increase in interest rates and an increase in the cost of public debt service. In addition to the floating exchange rate, rising interest rates increased capital inflows, the structure of financial markets further deteriorated, and, for example, the Brazilian economy was significantly affected by the 1998 Asian crisis. In June 1999, the Central Bank aimed at reducing inflationary pressures through inflation targeting and adopted a flexible exchange rate rather than a drifting exchange rate (Herrera, 2005, p. 5).

**Table 2. Brazil: Public Sector Primary Balance**

	<b>1991-94</b>	<b>1995-98</b>	<b>1999-2002</b>
Primary balance	2.9	-0.2	3.6
Federal government	1.6	0.3	2.1
Federal gov. and central bank	1.0	0.6	3.2
Social security	0.6	-0.3	-1.1
States and Municipalities	0.7	-0.4	0.6
Public sector enterprises	0.7	-0.1	0.9
Federal	1.1	0.2	0.7
States and Municipalities	-0.4	-0.3	0.2

Source: Central Bank of Brazil, Giambiagi & Ronci, 2004, p. 8.

**Table 3. Brazil: Federal Government Primary Balance**

	1991-94	1995-98	1999-2002
<b>Total revenues</b>	<b>16.5</b>	<b>18.6</b>	<b>22.6</b>
Transfers to states and municipalities	2.7	2.8	3.9
Net revenues	13.8	15.8	18.7
<b>Non-financial expenditures</b>	<b>12.4</b>	<b>15.3</b>	<b>16.7</b>
Personnel	4.4	5.2	5.3
Social security benefits	4.4	5.4	6.3
Other costs and capital expenses (OCC)	3.7	4.8	5.2
<b>Statistical discrepancy</b>	<b>0.2</b>	<b>-0.1</b>	<b>0.1</b>
<b>Primary balance</b>	<b>1.6</b>	<b>0.3</b>	<b>2.1</b>
Federal gov. and central bank	1.0	0.6	3.2
Social security	0.6	-0.3	-1.1

Source: Secretary of Economic Policy, Ministry of Finance.

Until 1998, deficits of the central government increased. The most important reason for this is the increase in domestic borrowing and this increase increases the financing cost of contractionary monetary and fiscal policies (Giambiagi & Ronci, 2004, pp. 4-6). There is a significant deterioration in public fiscal balance in the 1995-98 period compared to the 1991-94 period. In the 1999–2001 period, a relatively open fiscal policy was implemented against external shocks, and public debt and fiscal balance indicators followed an increasing course. In the period of 1991-2002, there was a relative increase in public fiscal balance (See Table 2 and 3).

In the 2001-02 period, the external debt burden increased rapidly and the economy faced high current deficit and low direct foreign capital inflows. On the other hand, the structure of domestic debt is particularly fragile due to the increase in the share of dollar-indexed public papers in the financial markets. Thus, the public debt / GNP ratio increased in 2002, and the government tried to ensure the sustainability of debts through high interest rates and short-term borrowing. However, the failure of the practices led to the formation of a new government as of 2003 (The World Bank, 2003, p. 56). Some measures have been taken under the name of reform of the financial system (Giambiagi & Ronci, 2004, pp. 30-34).

According to Herrera (2005, p. 30), in order to reduce vulnerabilities, public borrowing should be considered at the following points: In short-term public borrowing, it is important to have a balance of payments which adequately reflects the value of financial intermediation. Secondly, financial regulators should be able to obtain realistic information on the potential risks in the financial markets in a timely manner, and thirdly, interest rates should be carefully determined when making decisions that may affect future debt levels, the value of public papers, and fiscal policy practices in public debt management. Despite all the measures taken, the crisis that started in the financial markets in 2002 spread to the whole economy.

With the 1970 oil shock, the Mexican economy faced inflationary pressures, high external debt and high public deficits. Even though inflation was partially reduced in 1976 with a stabilization program, it rose again later. In the 1980s, the economy faced high inflation and the current account deficit problem (Weintraub, 1981, p. 291).

**Table 4. U.S. and International Financial Flows to and from Mexico, 1993-99**

	1993	1994	1995	1996	1997	1998	1999
U.S. Outward Direct Investment (U.S.\$ m.)							
Total FDI Income 1/	2525	2497	1369	2931	3393	3885	4721
Return on Equity (percent) 2/	22	20	8	18	22	18	-
FDI Inflows 1/	2516	3674	2955	2747	5596	4718	5355
Reinvestment	1585	1070	699	2436	2732	2247	3663
"New" debt and equity	931	2604	2256	311	2664	2471	1692
Total Debt Financing 2/	2634	1810	-551	2721	4818	6312	
Purchases of Foreign Currency 1/	1567	2305	1284	1171	2039	2570	2141
Income Repatriations	940	1427	670	495	1161	1638	1058
in percent of income	37	57	49	17	30	42	22
Payments of Royalties and other License Fees to U.S. parents	372	542	349	384	506	534	602
Payments for services received from the parent company	255	336	265	292	372	398	481
Net Foreign Exchange Balance (= New FDI - Currency Purchases)	-636	299	972	-860	825	-99	-449
Affiliate Sales and Trade Transactions 2/							
Total Sales	32549	39421	36193	46402	54951	65147	
Local Sales	22928	27022	21216	24579	30101	38952	
Exports of goods and services	9621	12399	14977	21823	24850	26195	
imports of goods from U.S.	12636	15070	16023	19142	22057	23802	
Capital Expenditures on Property, Plant and Equipment 2/	1813	2035	2037	2163	2209	3191	
Investment in Other Assets (U.S. \$ million)							

Net portfolio transactions with U.S. residents in foreign assets	11446	3641	1090	2909	3258	1894	3790
Stocks	5135	1205	159	331	-120	-958	1591
Bonds	6311	2436	931	2578	3378	2852	2199
Net Transactions based on IFS							
Portfolio Assets	28355	7415	-10377	13961	4330	-1346	10130
Other Investment	-159	-3804	16256	-19079	-1396	7502	-6340

Source: U.S. Department of Commerce, U.S. Department of the Treasury, IMF.

1/ All U.S. affiliates; data pro-rated for U.S. ownership share.

2/ Majority-owned U.S. affiliates only.

In 1994, the share of foreign investors in foreign direct investment in the financial markets fell from 60 percent to 45 percent (Lehmann, 2002, p. 8). In response to rising interest rates and declining foreign capital inflows, the Mexican government devaluated its local currency by 15 percent. Since 1998, the Mexican economy has sought to avoid the negative effects of financial crises through new regulations including contractionary monetary and fiscal policies and structural reforms. It is unclear what measures should be taken in order to prevent the fiscal discipline to be achieved through contractionary fiscal policies aiming at stability in financial markets while not causing production decreases in real markets (Webb & Gonzalez, 2004, p. 4). As regards public borrowing, the new regulations introduced in 2001 facilitated the borrowing of the private sector. The public and private domestic borrowing stock has continued to increase since 2001.

The share of private debts in public borrowing increased with the facilitation introduced after 2001, but the weight of public debts continued. As of 2000, the Central Bank of Mexico kept the annual inflation rate around 10 percent and maintained the floating exchange rate practice. In this way, it would be possible to protect financial markets against external shocks, to reduce speculative attacks in real exchange rates and to increase capital inflows relatively. In the recent period, structural reforms in the form of the implementation of corporate governance principles such as transparency in the financial markets and the protection of investor rights as well as the objective of fiscal discipline in the Mexican economy are continuing.

**Table 5: Summary of Public Debt Indicators in Argentina and Brazil 2000-2001**

	Argentina		Brazil	
	2000	2001	2000	2001
Public Debt (% of GDP)	50.0	62.0	49.6	53.3
Interest payments (% of GDP)	4.1	5.4	7.2	7.3
Interest/ tax revenue (%)	22.7	30.9	30.9	29.8
Interest/current revenue (%)	16.6	22.9	18.0	16.5
Overall fiscal balance (% of GDP)	-3.6	-6.8	-3.6	-3.6
Primary fiscal balance (% of GDP)	0.4	-1.4	3.6	3.8

Source: World Bank staff calculations based on official data for Brazil, Bacen and for Argentina, Ministerio de Economia.

Increasing outward tendencies in the Argentine markets increased the vulnerability of the markets to external shocks. In addition to the 1973 oil shock, increasing budget deficits and inflationary pressures due to the increase in borrowing in the economy necessitated some measures.

In the first half of 1985, the public deficit / GNP ratio fell to 2.4 percent and the inflation rate decreased to 1.4 percent per month (Bruno, 1993, p. 179). However, after the recovery phase, the easing of the contractionary policies accelerated the inflationary pressure again and the price and wage controls came to the agenda in order to reduce this pressure. Inflation rose rapidly with the abolition of price and wage controls. Inflation has been tried to be reduced through public intervention and determination of interest rates without strict restrictions (Carstens & Jácome, 2005, p. 26).

In the early 1990s, the Convergability Plan was implemented to combat the rapidly increasing inflation and the aim was to reduce the high current account deficits and the associated high public deficits caused by tight monetary and fiscal measures and the overvaluation of the exchange rate (Carrizosa, Leipziger, & Shah, 1996, p. 23).

With the increasing financial fragility in the economy, some regulations have been made regarding some taxes that adversely affect the market competition. In this context, the reduction of foreign trade tax, some taxes on the total assets of firms and some other taxes such as federal policy tax has been brought to the agenda. Accordingly, the rule of independence of the central bank was supported by regulations preventing the Central Bank of Argentina from financing the central government and local administrations,

public institutions and the non-financial private sector. However, despite all these regulations, the contraction experienced in the financial markets around the world since 1994 also affected the Argentinean markets. The rapid increase in world interest rates, low capital inflows and the decrease in the prices of Argentine public bonds affected the markets and in 1994 there was a crisis in the financial markets (Carrizosa, Leipziger, & Shah, 1996, p. 24). During this period, the Central Bank of Argentina's international reserves decreased by \$ 5 billion. Following the crisis, the government took stronger financial measures, identified a new liquidity plan instead of reserve needs and made arrangements for stronger banking supervision (Carrizosa, Leipziger, & Shah, 1996, p. 25).

The public deficit increased periodically due to the 1999 recession. The deficit was reduced with the financial measures taken. The Fiscal Responsibility Act aims to reduce the central government deficit in three years from 1999 and to the equivalent budget in 2003. With the Tax Reform Law, income tax rates and tax rates on consumer goods were increased. Despite these measures, inconsistency and political obstacles in the implementation of fiscal policies have raised doubts about the sustainability of borrowing and exchange rate, and in 2001 caused imbalances in the banking system. As of 2001, international reserves decreased by around 40 percent, authorities became unable to increase domestic resources and fragility increased. The unsustainability of debts jeopardized financial sustainability, and as of 2002, a new crisis has started in the financial sector, especially in the banking sector (Carstens & Jácome, 2005, pp. 28-30). The financial fragility fueled by the borrowing policy has increased with increasing public expenditures and trying to finance these expenditures with external.

The policies envisaged by the Washington Consensus, shaped by the neoliberal economic approach, have led to a one-way (inflation reduction) and short-term partial recovery in the financial markets of Latin American countries. Although these policies created mitigating effects and prevented speculative infectious effects, they could not prevent future crises from happening again.

The financial liberalization process brought about by globalization in the world economy has led to significant deviations in the financial markets of developing countries

since the mid-1970s. Because, especially in these countries where the financial infrastructure and financial institutions are insufficient and not functioning effectively, the transition to financial liberalization without creating the necessary macroeconomic conditions has increased the fragility in the markets.

I believe that the beginning of this whole process should be taken into consideration to examine the effects of globalization in Latin America and to make an accurate reading. The foundations of the data contained in the above tables and many more recent historical facts date back centuries. At the end of the 15th century, the Kingdom of Spain ensured its loyalty to the Catholic Church by deporting all Jews and expelled the Arabs from the Iberian Peninsula. The majority of the population was poor peasants. King Ferdinand had agreed to provide financial support for Columbus' journey across the Atlantic Ocean, thinking that Spain's economy could meet the need for new resources.

If Columbus' expedition succeeded, he would receive a 10% share of the profits (Zinn, 2018, pp. 8-9). The basic question for the new states established in the 1820s with the end of the wars of independence is what will be the form of government and how the power will be shared. What remains of the former colonial administrations are the feudal power relations that reinforce inequality (Isbester, 2010, pp. 35-36).

Hobsbawm states that in the 1830s, apart from Cuba and Puerto Rico, the former Spanish and Portuguese colonies had gained their independence, but the social structure and the status of the colonial period remained almost the same. He emphasizes that the liberal ideals and institutions adopted by Latin America in the early 19th century did not make sense in a feudal and colonial society, but rather contributed to the enrichment of the rich (Hobsbawm, 2018, pp. 58-61).

In Latin America, since the 1850s, Britain and the United States have become new colonial powers instead of Spain and Portugal. Regalado argues that this new colonialism is different than before. Because in this new system of colonialism, official institutions cover the political and economic dependence (Regalado, 2010, pp. 118-119).

According to Hobsbawm, in the early 20th century, the ruling classes saw economic imperialism as modernizing forces. The landowners, wealthy classes and elites in Latin

American countries saw Britain, France and the US as opportunities to advance their countries and prevented the breaking of dependency relations (Hobsbawm, 1999, pp. 312-313). Most of the raw material required for the growth of European economies during and after the colonial period was procured from Latin America. Commodity trading is one of the most important economic resources for Latin America. Within the new colonial system, Latin America also has a regional economy that exports raw materials and imports industrial goods (Regalado, 2010, p. 121).

Latin America, which has abundant natural resources such as oil, copper and agricultural products such as bananas, sugar and coffee, sold these products and imported processed products from Europe, USA, Japan and China. Developed economies have benefited greatly from this trade and have also sought to ensure that prices of raw material products do not increase. Therefore, an unequal trade relationship has been established between the commodity exporters and the countries that export finished goods. The basis of this unequal relationship is the decline in commodity prices and the sudden increases and decreases that hinder the establishment of a stable economic structure. From 1930s to 1980s, the import substituting economic model was widely adopted in Latin America. However, even during this period, the most important export material is commodity trade (Green & Branford, 2013, pp. 23-24).

According to Regalado, at the time of the import substitution economic model, the power of the state and the national bourgeoisie were united as a result of these policies, and thus the national bourgeois class was the most profitable class. The middle-income class living in the cities participated in political and social activities. However, the working class, which is at the bottom of the social order and growing rapidly, is at the bottom of the hierarchical structure (Regalado, 2010, pp. 141-142). Revenues from commodity trade and agricultural exports were collected in the hands of a small group, not in the broader society.

With the introduction of neoliberal economic policies as Washington Consensus with the guidance of international financial institutions, prescriptions were issued for Latin America. The role of the state in the economy is limited by neoliberal policies such as deregulation, privatization and cuts in social expenditures. Because of these policies,

which led to a foreign debt crisis in Latin America, the foundation of a poverty that became chronic in the 1980s was laid.

The Latin American development debate has slowed down due to the debt crisis in the 1980s. Following the dissolution of the Soviet Union, the United States became the only global power in the globalizing world. In the period of neoliberal globalization, former third world countries began to implement structural transformation policies in line with the demands of local capital groups. The colonial era is at the center of the common past of the Latin American continent. The legacy of colonialism has led to the development and establishment of a regionally anti-imperialist understanding and movement on the continent. The period of colonialism, which began in the 15th century and continued until the middle of the 19th century, radically changed social relations and social structure in Latin America. The natural resources of the region were transferred to Europe by the colonists and a central power was established for its continuity. Instead of the enslaved and killed millions of slaves, slaves were brought from Africa and labor was created (Veliz, 1980).

Local leaders were controlled and used by the central government in order to keep the decentralized areas under control and to suppress possible riots. Local leaders established the hacienda and took over sectors such as mining and trade. They also succeeded in seizing political power in regional governments. It was during the period when the Iberian kingdoms lost power by organizing the local people against the peninsular group that came from the Iberian kingdoms and settled in the region (Andrews, 1985).

After the invasion of Portugal and Spain by Napoleon in the early 1800s, the struggle for independence began in Latin America. The local people, who rebelled against the colonists, declared that they did not recognize the kingdoms and achieved their successive independence. After colonialism ended, foreign capital did not leave the region and the economies of the country could not escape this dependency. British and American companies took the natural resources and important enterprises in the region and controlled the economy to a great extent.

Latin America, which was integrated into the capitalist economy through free trade, began the adventure of foreign borrowing at this time (Halperín Donghi, 1993, p. 81).

After the struggle for independence, the poor group, the majority of the people, did not achieve better conditions, because the social structure, which was the legacy of the colonial period, maintained its order after independence. The rich local rulers took what was in the hands of the people to produce more and meet the demands of the industrializing economy of Europe. A new domestic class has emerged for the trade of raw materials to be sent to the European market. As this class of trade bourgeoisie made a profit from every business activity, the majority of the population remained poor. The people, whose land was taken away by the local ruling class, started to migrate to work in new jobs. These migrations took place from rural areas to cities that are richer in terms of business diversity. People who started to work under foreign capital, which dominated the sectors in the cities, were reborn as the working class. Starting in the early 1900s and lasting for 30 years, the economy and political authority became central and the state, as well as the commercial bourgeoisie, formed its own state bourgeoisie. In Mexico, Venezuela, Argentina, Peru and Brazil, the top cadres of the great landowning class and military compromised, seized state cadres, and gained power (Bulmer-Thomas, 1995, pp. 29-31).

The world economic crisis of 1929 had a profound impact on Latin America. With the Great Depression and the subsequent World War II, the export capacity of the region decreased and the income level decreased dramatically. For this reason, the import substitution development model that ECLA has brought up and advocated at that time has gained importance.

With the crisis of capitalism and the popularity of import substitution policies, the interventions of the state in social relations and economic field emerged as populist state. The most important thing that populist governments are trying to do is try to make economies independent of foreign capital. Mexican oil resources controlled by the British company were nationalized by the Lázaro Cárdenas regime (populist power of the time). The national bourgeoisie class was able to accumulate capital in this period. However, not all these expropriation policies have been able to ensure the independence of countries

from foreign capital in terms of technological infrastructure and equipment. The economies of Mexico, Brazil and Argentina have grown in the import substitution industrialization model and have evolved over the 30-year period up to the 1960s. However, inequality between social classes increased considerably during this period. The reason for this is that the industrial bourgeoisie and foreign capital are the recipients of state-supported initiatives and they have gained quite a lot from this situation. This inequality could persist in a populist regime where power was in the hands of a charismatic leader and the regime was maintained by the army. In the case of governments that display extreme movements that could pose a threat to the continuation of this system, in Guatemala, as in the Albenz Guzman regime, a US military coup was intervened.

The period from the 1960s to the 1980s was a period of stagnation of capitalism in the world. The 70s witnessed high inflation, external debt payment problems, budget deficits and foreign exchange bottlenecks brought on by import substitution industrialization policies. Foreign trade deficits have been tried to be covered by foreign borrowing and the problem of foreign borrowing has become a constant burden due to interest rates and short-term loans. In the 30 years after the 1930s, wages and social facilities were much better than in the 1960s to the 80s, and capitalism had stabilized at that time. However, the inequalities and gaps between the social classes grew, and the claim of populist governments to reach consensus among the classes was thus falsified. The revolution in Cuba against the indigenous bourgeois class and the imperialist bosses is perhaps the most important victory against the gaps that were created by the capitalist system. With the victory of the workers and peasants in 1959, an anti-imperialist wind was blown across the continent in other countries of Latin America. This period is also a period in which populist regimes have been replaced by authoritarian repressive regimes and these regimes have taken the central authority by force and not by the consent of the working class. The best example of this period is perhaps the bloody military coup in Chile. The government of Salvador Allende, who came to power to protect the rights of workers, laborers and peasants, was destroyed in a terrible coup in the early 1970s. The weakening of national capital groups by the Allende government and the observance of workers 'and peasants' rights is the basis of this class's aim to cooperate with the US Nixon government and to overthrow the government. A bloody period began in 1973 when

General Pinochet bombed the government building and Allende committed suicide in his office. Until 1990, many people were massacred under this military regime. It was accepted that the USA was behind the coups in Argentina and Brazil as well (Ward, 2002, pp. 59-61).

In the second half of the 1970s, after Chile, Bolivia and Argentina, a period began in which neoliberalization policies took over the economy in almost all continents. Oil prices declined considerably in the late 1970s. European countries have stopped providing financial resources to Latin American countries. Therefore, there is no option to take out loans to pay the debts. The result was the 1980s stock crisis in the region. It should be said that international institutions such as the World Bank and the IMF are important actors in transforming Latin America into a region where neoliberal policies are implemented. According to Dani Rodrik, in the 1980s and 90s, neoliberal policies began to be implemented through the World Bank and the IMF in countries with foreign debt (Rodrik, 1992, pp. 87-91).

In Latin America, local capital groups partnered with foreign companies. They were strengthened by partnerships and increased investments. The aim of foreign capital to invest in partnership with these local groups was to reduce risks and facilitate relations with political power. Foreign investments occurred as a result of privatization policies. The state saw privatization as a financial resource and accepted it as a solution to reduce expenditures. For this reason, foreign capital, which cooperates with domestic capital, has emerged as a partner that dominates public enterprises, not as a mechanism that opens up new investment areas.

Under the influence of foreign capital, the value of domestic currencies increased and foreign exchange reserves increased considerably, but with the crises of the 1990s, foreign capital began to leave the country and reserves fell. In order to overcome this crisis, countries such as Mexico, implemented an austerity program with the IMF, raised taxes and interest rates, and reduced public spending (Green, 1999, pp. 18-21).

The working classes were the worst affected by these crises and destructive effects. Economic activities are concentrated in certain regions of the country and other

places are marginalized. As a result, inequalities and differences between regions have become much deeper. The richest group of 10% on the Latin American continent has 48% of GDP. The poorest 20% group receives only 3% (De Ferranti, Perry, Ferreira, & Walton, 2004). According to ECLAC data, almost 40% of the population live in poverty and 15% live in absolute poverty on the continent (ECLAC, 2006).

**Table 6: Levels of GDP Per Capita And Interregional Spreads, 1000-1998**

	1000	1500	1820	1870	1913	1950	1973	1998
Western Europe	400	774	1232	1974	3473	4594	11534	17921
Western offshoots	400	400	1201	2431	5257	9288	16172	26146
Japan	425	500	669	737	1387	1926	11439	20413
Asia (excluding Japan)	450	572	575	543	640	635	1231	2936
Latin America	400	416	665	698	1511	2554	4531	5795
Eastern Europe & former USSR	400	483	667	917	1501	2601	5729	4354
Africa	416	400	418	444	585	852	1365	1368
World	435	565	667	867	1510	2114	4104	5709
Inter-regional spreads	1.1:1	2:1	3:1	5:1	9:1	15:1	13:1	19:1

**Source:** Maddison, *The World Economy. A Millennial Perspective*. Development Centre Studies, Organization for Economic Cooperation and Development OECD, 2001.

**Table 7: Shares of World GDP, 1000-1998 (Percentages)**

	1000	1500	1820	1870	1913	1950	1973	1998
Western Europe	8.7	17.9	23.6	33.6	33.5	26.3	25.7	20.6
Western offshoots	0.7	0.5	1.9	10.2	21.7	30.6	25.3	25.1
Japan	2.7	3.1	3.0	2.3	2.6	3.0	7.7	7.7
Asia (excluding Japan)	67.6	62.1	56.2	36.0	21.9	15.5	16.4	29.5
Latin America	3.9	2.9	2.0	2.5	4.5	7.9	8.7	8.7
Eastern Europe & former USSR	4.6	5.9	8.8	11.7	13.1	13.1	12.9	5.3
Africa	11.8	7.4	4.5	3.7	2.7	3.6	3.3	3.1
World	100	100	100	100	100	100	100	100

**Source:** Maddison, *The World Economy. A Millennial Perspective*. Development Centre Studies, Organization for Economic Cooperation and Development (OECD), 2001.

Global prosperity was promised by the process of globalization; however, this era, understood as an age of great inequalities, could undermine stability. This also could hinder the long-run growth prospects.

Global inequalities reflect both inequalities across nations, driven mainly by divergences in economic performance (e.g. growth rates) across countries that cumulate over time and by national inequality that depend on factor prices, patterns of resource ownership and other factors (Solimano, 2001, p. 8).

Economic growth, convergence, global inequality and economic integration are the main features that were related to the last 130 years of world history. From 1830 to 1910 the world has experienced the first wave of globalization. This period of world history was highly integrated in terms of international trade, international migration among Europe and the New World countries and gold standardization in world economy.

During the two world wars, until 1950, the world experienced a different era which can be identified as de-globalization period. This era was a period in which great depression, high inflation and great wars took place in a large geography. However, after this period until almost mid-1970s rapid growth and re-birth of globalization occurred which could be described by international regulation, welfare state and stabilization (Solimano, 2001, p. 9). The different per capita levels between countries is used to understand the international inequality. The most important problem in measuring international inequality is the method to be used.

National inequality, say the dispersity of the distribution of income within a country, provide the bridge between international and world inequality. The determinants of international inequality are the forces generating different rates of growth across countries that, over time, generate (important) differences in *per capita* income, living standards and levels of development across nations. In turn, national inequality depend on factor prices, ownership of productive resources within countries, demographic patterns, technical change and macroeconomic cycles. Of course, several of these factors can affect also international inequality (Solimano, 2001, p. 10).

In order to measure the regional dispersion Angus Meddison (2001) used the ratio of income of the richest to the poorest region. According to the measurement there has always been an increase in the level of inequality except only 1950s to 1973 period which is defined as the golden age of capitalism because of the rebirth after two world wars.

#### 4. DEPENDENCY THEORY: THE CASE OF LATIN AMERICA

Latin American countries have an important place in the international system due to the geographical proximity of the USA. Consisting of 18 countries and having rich natural resources, Latin America started to be colonized as of the 15th century. Latin American history has been the scene of bloody wars since the colonization of South American Indians, Aztecs, Mayans and Indians (Kittleston, Bushnell, & Others, 2019).

**Table 8: Key Socioeconomic Indicators in Latin America and the Caribbean**

Country	Population (2017) (thousand)	Annual Population Growth Rate (%) (2010-2015)	Life expectancy at birth (Year) (2010-2015)		Urban Population Rate (%) (2015)	Open Unemployment Rate (%) (2016)	Population with access to clean water and sanitation (%) (2015)		
			Woman	Men			National	Urban	Rural
Argentina	44121	1.03	79.8	72.2	91.8	8.5	99	99	100
Bolivia	11071	1.61	70.2	65.3	69.1	4.9	90	97	76
Brazil	211175	0.94	77.9	70.3	85.7	13.0	98	100	87
Dominic Republic	10772	1.24	76.5	70.2	78.8	6.2	85	85	82
Ecuador	16624	1.56	78.4	72.8	64.4	6.8	87	93	76
El Salvador	6350	0.40	77.1	67.9	69	6.9	94	97	87
Guatemala	16536	2.10	75.9	69.2	56	3.4	93	98	87
Haiti	11029	1.39	64.3	60.7	52	-	58	65	48
Honduras	9071	1.68	75.4	70.4	53.6	9.0	91	97	84
Colombia	49059	0.98	77.4	70.2	79.4	9.7	91	97	74
Costa Rica	4918	1.13	81.8	76.7	76.6	9.6	98	100	92
Cuba	11423	0.15	81.3	77.1	77	2.0	95	96	90
Mexico	127878	1.38	78.9	74	77.3	4.3	96	97	92
Nicaragua	6218	1.17	77.7	71.5	57.6	4.5	87	99	69
Panama	4054	1.64	80.5	74.3	66.6	5.2	95	98	89
Paraguay	6805	1.34	74.9	70.7	66.4	7.7	98	100	95
Peru	32167	1.32	76.8	71.5	78.7	5.4	87	91	69
Chile	18209	0.92	81.3	76.1	88.9	6.5	99	100	93
Uruguay	3456	0.34	80.5	73.3	95.3	8.2	100	100	94
Venezuela	31311	1.35	78.2	69.9	89.5	7.5	93	95	78

Source: ECLAC, *Statistical Yearbook of Latin America and the Caribbean, 2017*  
*Electronic version, 2017.*

The struggle of the peoples of the region with the imperial powers began with the colonization of Spain and Portugal, continued with the power struggles they had with each other in the process of gaining their independence, and with the establishment of the political domination of the region first in the political, then military and finally neoliberal period. Some of the Latin American countries still struggle against the USA and neoliberal policies with their own methods. The policies and attempts of the USA to keep Latin America under control through neoliberalism started during the establishment of military dictatorships. Under the military regimes, a neoliberal order was established, trade barriers were removed through this order, foreign investment was encouraged and privatizations started.

In other words, the legal, institutional and ideological foundations of neoliberal policies have been laid. Especially with Ronald Reagan's coming to power in the USA in 1980, an increase was observed in the economic impact of the USA on the countries of the region. The USA has envisaged a global free market order through which the International Monetary Fund (IMF), the World Bank (WB) and the American Treasury will be at the center of it (Cavanagh & Mander, 2003).

The government of Menem in Argentina between 1989-1999, and between the years of 2002-2003, the Cardoso authorities in Brazil implemented neoliberal policies. Therefore, neoliberalism was imported into Latin America through the IMF and WB. However, the policies implemented by the USA within the framework of the Washington Consensus did not achieve the expected developments and in the late 1990s, while poverty increased, income decreased and social injustice became evident. Failed neoliberal policies had their greatest impact on the working classes, and a series of uprisings broke out against US-backed governments. The Ecuadorian Confederation of Indigenous Nations (CONAIE) in Ecuador, the Brazilian Landless Workers Movement (MST) in Brazil, the Zapatistas in Mexico, and the Piquetero Movement in Argentina are the leading actors in the process of resisting neoliberal policies (Stahler-Sholk & Vanden, 2011, pp. 7-10).

By the end of the 1990s, as a result of the political changes that started on the continent, Latin American countries tended to act independently from the USA in the fields of economy, politics and foreign policy. These social movements caused by the failure of neoliberalism in Latin America led to changes in power, Chavez in Venezuela, Morales in Bolivia, Silva in Brazil, Kirchner in Argentina, Lagos and Bachelet in Chile. He brought Correa to power in Ecuador and Vazquez to power in Uruguay (Encarnación, 2018).

General Pinochet, who came to power in Chile by coup against Salvador Allende in 1973, was one of the first implementers of the new policy. In line with the economic program implemented by the group of economic consultants including the students of Friedman from the University of Chicago, with the support of the military administration in Chile, extensive privatizations were made, protective customs, subsidy supports were removed, devaluation, deregulation of the domestic market, foreign capital was encouraged, trade union movement was restricted by reducing wages, and social welfare programs were abandoned in areas such as education, health and housing (Gilmour, 2013, pp. 2-5). These neoliberal economic policies include privatization of state-owned enterprises and organizations and the establishment of free trade relations with the global economy.

Neoliberal economic policies had the opposite effect of Pinochet's expectations in the Chilean economy; In the country, the inflation rate has increased, local businesses have been forced to close due to increasing international competition, unemployment has increased and the prices of basic food products have increased significantly. In this period, the industrial and national economy, which rapidly lost blood due to the neoliberal programs implemented, tried to eliminate their losses only after the military regime ended in 1987 and the establishment of political parties (Letelier, 2016). Neoliberal policies, which were first implemented in Chile, have become very popular with the concept of neoliberal globalization and have been implemented in many states of the world, putting these states into US dependence. However, the failure of the policies implemented in the 1990s has occurred in other countries as in Chile, poverty has increased, income distribution has been disturbed and economic crises have occurred.

Other Latin American countries implementing neoliberal economic policies have been increasingly drawn into a bottleneck and a new formula has been developed for these countries in cooperation with the IMF and the World Bank. The failure of neoliberalism was tried to be resolved with the Washington Consensus, but the transformation of globalization into "neoliberal tragedy" could not be prevented (Harvey, 2007, pp. 153-154). As a result, the expected success could not be achieved both in Chile and other countries where monetarist economic programs were adopted. The applied neoliberal policies also revealed the invalidity of the neoliberal assumptions.

Reagan and Thatcher, who led the implementation of neoliberal policies, tended to turn capitalism back into a free market regime, which became interventionist after the Great Depression of 1929. Advanced neoliberal approaches implemented by Reagan and Thatcher included deregulation (reducing or removing state restrictions), introducing a free market order, reducing interventions to the exchange rate, removing trade barriers, adopting a flexible exchange rate regime, privatizing public institutions, and setting interest rates in the markets. These approaches have been the preparations for huge crises that will occur on a global scale in the following years (Harvey, 2007, pp. 65-74). The neoliberal approach, which has spread all over the world, took the first blow with the Southeast Asian Crisis that emerged in 1997. The Asian Crisis that started in Thailand also affected other countries in the region.

Neoliberal policies, which have become widespread since the 1970s, caused the emergence of crises in many countries starting from the 1990s. Neoliberalism has become evident after the 2008 Crisis, where it has not been able to tackle these crises. While the practices introduced following the crisis were originally aimed at preventing a global collapse, they began to serve the purpose of restructuring neoliberalism as the process prolonged.

The interest rates, which increased from 1% to 5.25% between 2004 and 2006, caused stagnation in the US real estate market and caused prices to start falling within a year (International Business Publication, 2010, p. 17). Falling real estate prices caused a depreciation in mortgage-backed securities, declared that many financial institutions had lost losses in July 2007, and the interbank market where the banks exchanged money with

each other became unable to operate. The Central Bank of Europe and the central banks of Japan cooperated and provided liquidity to the market in order to meet the banks' additional reserve demand and normalize interbank transactions (Kosakowski, 2020).

In the first phase of the crisis, central banks applied interest rate cuts and took a series of monetary policy measures. However, the aforementioned policies have been inadequate, and in many countries governments have launched new recovery packages to save financial institutions, but have not been able to prevent the crisis.

In order to restore the lost trust in the financial markets, as of mid-2008, 100 billion dollars of state guarantees have been given, but it has been revealed how big the crisis was when the US investment bank Lehman Brothers declared bankruptcy. In mid-2008, the US government's rescue packages reached \$ 850 billion and new rescue packages were launched to prevent bankruptcy of large companies such as General Motors and Citigroup (Guillén, 2012, pp. 9-12).

The economic crisis that emerged especially in the USA after September 2008 once again shook the trust in neoliberal economic policies. The search for different solutions and the emergence that crisis management could not be possible within neoliberalism led to the emergence of new strategies. In this context, different suggestions and strategies developed to overcome the crisis of neoliberal financial market capitalism have been defined by the authors such as Brand, Sekler, Brie and Candeias with the concept of "post-neoliberalism". It is seen that Keynesian economic policies were effective all over the world in the period before the implementation of neoliberal policies. For this reason, post-neoliberal policies express the minimal effectiveness of the state on monetary policies without removing the private capital within the framework of neoliberal policies, even though neoliberalism does not achieve the expected success.

#### **4.1.POST-NEOLIBERALISM**

It is stated that post-neoliberal policies emerged on a global scale with the bankruptcy of Lehman Brothers in 2008. However, the situation is different in Latin American countries that have experienced more severe neoliberal tragedy. Left governments that came to power in the early 1990s and 2000s began to apply post-neoliberal and anti-

neoliberal policies against neoliberalism, which was accepted as the beginning of the post-neoliberal period (Oxhorn & Ducatenzeiler, 1998, pp. 44-45).

According to Oxhorn and Ducatenzeiler, it is possible to define these new strategies as anti-neoliberal approaches, but it is not correct to accept the results of these movements as anti-neoliberalism. Because economic crises in Latin America, economic and political practices that result in increased poverty and unemployment have directed these movements against neoliberalism to develop their own specific political strategies and these practices have been defined as post-neoliberal policies. The purpose of these policies has been put forward not to oppose neoliberalism, but to eliminate the missing and negative reflections of neoliberal policies (Oxhorn & Ducatenzeiler, 1998, pp. 45-48).

Among the alternative strategies, Castaneda's approach reveals the limits of post-neoliberalism more clearly. Castaneda developed an anti-neoliberal strategy for Latin America for the decade before Mexico's appointment as Foreign Minister in 2000. In his book "Unarmed Utopia: The Latin American Left After the Cold War", he developed a program to achieve social justice and nationalist goals within the framework of globalization, that is, neoliberalism, and defined the proposed center-left alliance in this context. Therefore, as will be seen in the model of Castaneda, these movements have tried to implement approaches that will provide social justice and prosperity, namely post-neoliberal programs, without completely rejecting neoliberal policies (Castaneda, 1993, pp. 315-318).

The main proposal of Castaneda is based on the principle and model of the state giving priority to specific sectors, but avoiding favoritism and raising social-environmental conditions and standards (Castaneda, 2001, pp. 36-37). According to Castaneda, the post-neoliberal model has defined it as a new social alliance between the state and society (Grugel & Ruggirozzi, 2007, p. 4).

Based on the model of Castaneda, it is possible to say that the post-neoliberal models and suggestions developed in response to neoliberal policies in Latin America have the most ideal compromise and benefit between liberal and left policies rather than an anti-

neoliberal character. The post-neoliberal model, which emerged in Latin American countries and started to be discussed more after the 2008 Economic Crisis, aims to find a middle ground between the current liberal structure and the left policies aimed at achieving social justice and welfare of the lower income groups. It is possible to list the main features of post-neoliberalism as follows (Grugel & Riggirozzi, 2007);

Post-neoliberalism is a reaction against market reforms and transforming the planned economy to an excessive market economy. Considering the leaders who came to power in Latin American countries, post-neoliberalism is sometimes confused with populism. However, post-neoliberalism envisages the reduction of poverty, unemployment and social injustice by proposing a social consensus between the state and society and supporting commercial enterprises that work for the public good.

Post-neoliberalism is not the end of neoliberalism and the re-introduction of the state's intervention in the economy, in other words, Keynesian economic policies. However, it allows the government to prioritize certain sectors with special assistance.

Post-neoliberalism is a paradigm that changes the perception of citizenship by reassessing the direction and purpose of the economy with state spending. In doing so, it revises the institutions of the state, adds new ones to existing institutions, and brings the state and the people closer together. Post-neoliberalism aims to add the national economy to the changing global economy without disrupting the social responsibilities of the state. Post-neoliberalism is an obstacle to the social and cultural polarization that occurs in the globalization process. Developed countries have to seek balance with developing and less developed countries. Post-neoliberalism has developed new search for integration to get rid of the devastating effects of institutions such as the IMF and the World Bank, which are the tools of neoliberal policies. The Buenos Aires Accord emerged as a new integration against the Washington Consensus.

Post-neoliberalism has differences on the basis of the countries in which it is applied in Latin America. However, the common aim of all is to eliminate the shortcomings and disadvantages of neoliberal policies. In post-neoliberalism, the state plays a more active role in domestic and foreign policy than neoliberalism. Post-

neoliberalism opposes the claim that neoliberalism alone will lead to economic growth and reduce poverty. It implements targeted programs in lower income groups such as education and health. According to post-neoliberalism, states have moral responsibilities over the inalienable rights of their citizens. With the 21st century, new political scenarios emerged in the Latin American continent. Increasing protests in many continent countries against neoliberal economic policies being implemented have been supported by renewed political projects, often inspired by central / left ideologies. These rising political powers in many countries have indeed reacted and attempted to ensure that their social demands are included in the newly developed political programs. Taking these efforts to a higher level, they came to power as a result of national elections and formed political party organizations (Puello-Socarrás, 2011, pp. 75-78). Anti-neoliberalism is a historical phenomenon that occurs in the process of deep social struggle caused by economic crises (Puello-Socarrás, 2011, pp. 72-75).

Social resistance to orthodox neoliberalism (especially the policies that the Washington Consensus has brought and imposed) includes many different anti-neoliberal discourses, from progressive anti-Washington Consensus movements to radical anti-capitalist discourses (Brenner, 2010: 338). The anti-neoliberal strategy proposed by the Chilean Marxist theorist Marta Harnecker completely rejects the capitalist system. Harnecker's anti-neoliberal strategy foresees that left parties and social classes that are negatively affected by neoliberal policies will come together to form an anti-neoliberal social block. By holding the political power of the created social block, Harnecker will be able to ensure that the state can intervene in the private sector, thereby controlling monetary policies, providing employment and resolving tax payment problems (Harnecker, 2007, pp. 32-34).

Although anti-neoliberal discourses and approaches have not been truly clear about the political and economic goals to be put in place after neoliberalism, the main characteristic of the above-mentioned anti-neoliberalism is its stance against neoliberalism.

According to Leiva, anti-neoliberalism has played a key role in the emergence of new social platforms and political projects against neoliberal policies, particularly the restructuring of the democratic and multi-party electoral system (Leiva, 2008, pp. 18-20).

The most important event in this date was the revolt against the North American Free Trade Agreement of the (neo) Zapatist National Liberation Army Movement in Chiapas, Mexico. This opposition movement sees the American Free Trade Agreement as a typical project of neoliberal sovereignty policies in all aspects. According to Puello-Socarras, the anti-neoliberal stance that started with the initiative of the Zapatist National Liberation Army Movement has continued until today, the first quarter of the 21st century (Puello-Socarrás, 2011, pp. 84-86). This movement and subsequent anti-neoliberal developments in other countries of the Latin American continent constituted the turning point of objections and revolts against neoliberal domination. Other developments in which anti-neoliberal objection voices against neoliberalism were heard were the social and economic crisis in Argentina in 2001 and the Water Crisis that emerged in Bolivia in 2000. These events took their place in history among the important anti-neoliberal counter positions, as they gradually shaped the future anti-neoliberal political projects as well as social crises.

#### **4.2.ECONOMIC POLICIES IMPLEMENTED IN LATIN AMERICA**

Import substitution industrialization policies implemented in many Latin American countries from the 1930s to the 1970s. Latin American countries have tried to free their national economies from foreign capital control by applying restrictive trade regimes. However, despite all steps taken in the name of nationalization, their dependence on the USA and US companies continued (Topal, 2007, pp. 29-31).

Between 1960-80, when the world economy slowed down, Latin American countries faced high inflation rates, budget deficits and balance of payments problems. This situation in budget deficits and balance of payments caused states to turn towards external borrowing in order to ensure stability in their economies. The fact that the external debt burden consisted of high interest rates and short-term credits led to an increase in economic problems in Latin American countries and necessitated abandoning import substitution strategies and transitioning to neoliberalism (Topal, 2009, pp. 125-126).

Successive coups in Latin American countries during this period facilitated the transition to neoliberalism by controlling the movements of the working class that supported the import substitution economy model. In Brazil (1964-1985), Argentina (1966-1983), Bolivia (1971-1984) and Uruguay (1973-1985), workers' movements were suppressed and kept under control by violence (Topal, 2009, pp. 127-128).

Chile is one of the countries where import substitution policies are replaced by neoliberal policies. In 1970, Salvador Allende Gossens, the leader of the Unidad Popular coalition of the left parties in Chile, came to power to establish a socialist regime with the support of the working class. Stating that the primary enemy is foreign capital sovereignty in the country, Allende claimed that they had fought against imperialism, that economic independence had to be established in order to achieve political liberation, that is, full domination, and adopted a Marxist economic model. The Allende government, which nationalized foreign capital in its country and prevented its interests, was overthrown as a result of the provocation of middle classes and large industrialists by the USA, and the United States has made Chile the first laboratory of neoliberal policies (Topal, 2007, pp. 31-37).

Peru, another Latin American country where import substitution policies were implemented, was ruled by left-leaning General Juan Velasco Alvarado between 1969-1975. Alvarado restricted US companies' activities in Peru, nationalized power plants under nationalization policies and carried out land reform. However, in 1975, there was a coup under General Francisco Morales Bermudez who has gained the country's administration. The companies that were nationalized by giving up the policies of Alvarado trying to create a social state were privatized again. Since the 1980s, privatizations gained speed in Peru (Wills, 2003, pp. 8-11).

As can be seen, successive coups in Latin American countries between 1960-80 enabled the USA to keep Latin America under control by preventing nationalization policies during the Cold War. The military regimes that came to power through the USA did not only change the governments in these states, but also caused the deterioration of the relations between the state and the social classes, while ensuring the establishment of an appropriate environment where neoliberal economic policies can be implemented

without any problems. These policies, which also affect the developed countries and claim that increasing economic instability can only be overcome with the addition of the national economy to the international economy, started to be implemented in the period of military regimes in Latin America.

The foreign debt dilemma faced by many Latin American countries in their economic policies since the 1980s has been effective in implementing the neoliberal approach of the IMF and the World Bank and structural adjustment programs have been developed.

Latin American countries have opened their economies to foreign trade in order to reduce the balance of payments problems and economic instability. The oil crises in the late 1970s made it impossible to provide new loans to Latin American countries, and the Latin American countries, which could not pay their foreign debts, had to transform their national economies. However, the budget deficits that have been going on since 1973 and the oil crises in the 1970s led to the emergence of the debt crisis in Latin America in the early 1980s; this crisis has disrupted the reform efforts of the countries in the region.

As of 1982, many private banks went bankrupt in Latin America. With the stopping of foreign capital flowing to Latin American countries, IMF and WB appeared as the only option for Latin American countries. The adaptation policies, called the Baker Plan, presented by the US Finance Minister James Baker in 1985, were approved with the approval of the IMF, World Bank, creditor countries and commercial banks. The basic principle of the plan was to restrict the state's effectiveness in the economy. In 1989, after the Baker Plan failed, US Finance Minister Nicholas Brady proposed a new plan. Under the plan called the Brady Plan, it was decided to cut the debt. However, like the Baker Plan, the Brady Plan did not achieve the expected improvement (Boughton, 2001, pp. 491-522).

In the 1980s, major reforms were made in the economy with the adaptation policies implemented by the IMF, production was reduced, and spending was restricted. The environment of chaos created by economic instability has increased the demand for democracy of social classes in Latin American countries and required that military regimes be replaced by civilian regimes in order for the USA to import neoliberalism to

Latin America (Zettelmeyer, 2006, pp. 3-4). However, while the Reagan government in the USA and Thatcher administration in England exported neoliberalism to these countries, they used to serve their own neoliberal goals.

Civil regimes that came to power in Latin America as of the 1980s accelerated the transition process of the implementation of neoliberal policies. The working class movement in Bolivia fought against the coup plotters, and democracy was reestablished in 1982. However, neoliberal policies implemented by civilian regimes that came to power, such as privatization of natural resources, caused a revival of the workers' struggle in Bolivia (Topal, 2007, pp. 74-78). The Brazilian economy has been opened to foreign capital and the global market with privatizations of approximately 100 billion dollars since the date of the election of Fernando Collor de Mello. During this period, the role of the state was reduced in order to achieve neoliberal transformation. Many state units were closed and removed from sectors such as state, finance, telecommunications and electricity. The exchange rate, national economy and foreign trade have been liberalized. In 1994, the "Real Plan" anti-inflation program implemented by Fernando Henrique Cardoso government reinforced the power of neoliberalism in Brazil. Working-class movements were controlled and kept under pressure (Novelli, Galvão, Myers, & Myers, 2001, pp. 5-21).

In Uruguay, ruled by the military regime between 1973 and 1985, neoliberal policies failed to produce the expected effect. Unemployment reached 30% in 1982, many businesses including the country's largest textile company FUNSA went bankrupt, the state's budget allocation for education fell from 21% to 13%, and defense and security spending increased from 15% to 50%. . By 1983, 150,000 people took to the streets in the action organized by Plenario Inter Sindical de Trabajadores (PIT) workers' organizations on May 1st. In the same year, popular revolts continued and strikes started. In 1985, the military regime was replaced by democracy. The Sanguinetti government has started privatizing state-owned businesses under neoliberal policies (Alexander, 2005, pp. 75-77).

After the military regimes were replaced by civilian regimes, Latin America entered a period of compelling and harsh measures implemented by the IMF and WB.

Prescriptions of neoliberal policies put into practice were imported into Latin America by the WB and IMF under the name of the Washington Consensus in 1989. With the implementation of neoliberal policies, the power of states to regulate monetary policies has decreased and economies of Latin American countries have become dependent on free market conditions (Weyland, 2004, pp. 135-137).

**Table 9: Real Gross National Product in Latin American Countries by Years  
(GNP Growth Rate %)**

Countries	1980-1985	1986-1990	1991-1997	1998	1999
Argentina	-1.1	0.4	2.6	3.9	3.1
Bolivia	-1.3	2.3	4.0	4.7	2.5
Brazil	2.5	2.0	3.0	-0.1	0.5
Chile	2.3	6.5	7.4	3.4	-1.0
Colombia	2.6	4.6	4.0	0.4	-5.1
Mexico	3.1	1.5	2.9	4.8	3.7
Peru	0.6	-0.8	5.4	0.3	3.5
Latin America Countries Average	1.8	3.4	3.7	2.2	0.3

Source: World Economic Outlook Database, IMF, September 2000

**Table 10: Growth Rate by Region (Annual Growth Rate %)**

Regions	1965-1980	1980-1989	1990-2000
World	4.1	3.1	2.6
Latin America	6.1	1.6	3.3
Sub-Saharan Africa	4.2	2.1	2.4
East Asia	7.3	7.9	7.2
South Asia	3.7	5.1	5.6
OECD Countries	3.8	3.0	2.4

Source: World Bank, World Development Report, 1991, 1992, 2001, 2002

As can be seen, the principles of the Washington Consensus are a summary of neoliberal economic policies and targeted Keynesian economic policies. Until the end of 1990s, the principles of the liberalization of the market and capital movements imposed by the World Bank and IMF, and the privatization of public enterprises were expected to provide economic growth in Latin American countries. Latin American countries, which implemented the principles of the Washington Consensus, failed to achieve the targeted

economic growth. As seen in Table 9 and Table 10, especially in Brazil, Chile and Colombia, the growth rates gradually declined towards the end of the 1990s; As of 1999, the average growth rate in Latin America decreased to 0.3%.

In the 1990s, a large number of Latin American countries were shaken by economic crises, and their impact spread to the entire continent in a short time. The principles of the Washington Consensus began to receive criticism with the "Tequila Crisis" in Mexico in 1994. The crisis that emerged with the escape of the current foreign capital in the country has spread to other countries in a short time and the financial crises chain called "Tequila effect" has been entered. In this process, Mexico's foreign exchange reserves have been rapidly depleted and decreased from 30 billion dollars to 5 billion dollars and Mexico has become unable to import. As a result of the agreement with the IMF, taxes were increased in Mexico, public spending was cut and interest rates were raised to suppress inflation. As a result of these measures, the country has experienced a sudden stop in growth rates, and about 1 million people lost their jobs following serial bankruptcies (Topal, 2007, pp. 131-133). In Table 10, where the growth rates of different regions of the world and Latin America in the same years are compared, it is observed that the growth rates in Latin America decreased by half from 1970s to 2000s.

According to Rodrik, the 1990s are not considered as disaster years in terms of economic development at the global level. Unlike the Washington Consensus criteria, countries such as China and India have followed high levels of trade protectionism, lack of privatization, and loose fiscal monetary policies, and as a result of these policies they either increased or kept growth rates as seen in Table 10. However, as seen in the same table, countries that adhere to the Washington Consensus criteria have faced deep economic instability (Rodrik, 2006, p. 976).

Even institutions such as WB have emphasized that growth rates have decreased in countries where neoliberal policies have been implemented by the mid-1990s. As a result of the neoliberal policies pursued, a process began in which the belief in the power of the market and the opposition to state interventions were abandoned after the 2008 Crisis that started in the USA and spread all over the world. First, billions of dollars in recovery packages were announced in the USA, where the economic crisis occurred, and

subsequently in other developed countries. Also, in these countries, economic programs for the crisis have started to be implemented, while the state provides guarantees for bad loans, some of them went to the rescue banks and some of these banks were nationalized in this way. In addition, the regulations to be made to streamline the financial markets and revive the economy have begun to be discussed. These practices, which are carried out to end the crisis or reduce its negative effects, are in full contrast with neoliberal policies. As a result, the economic crisis spread to the global system with the Mortgage Crisis (2006) that followed in the USA and the Lehman Brothers Crisis thereafter. This caused the real collapse of the neoliberal view (Harvey, 2007, pp. 1-10). Measures were tried to be taken with state interventions against the crisis that emerged in 2008. Experiencing such a crisis in a global power such as the USA has led to the questioning of neoliberalism and the production of alternative policies to neoliberalism. However, Latin American countries, which met the crises of neoliberalism before the USA, started this questioning in the late 1990s.

In Latin America, many countries were shaken by economic crises in the 1990s and the impact of these crises spread all over Latin America in a short time. Crises caused the destructive effect of neoliberal policies to be felt more violently by the working classes, and massive riots and social revolts were observed in Latin America. World Bank data show that the richest 10% of Latin America has about 45% of the Gross Domestic Product (GDP), while the poorest 20% share only 3% of GDP. Again, according to the same data, approximately 39% of the population lives on the border of poverty and 15% on absolute poverty (ECLAC, 2006, pp. 70-71).

The economic crises in Latin America, high unemployment and injustices in income distribution have become unbearable and criticism of the neoliberal order, which is seen as responsible for the emerging problems, has accelerated.

Social revolts against the neoliberal policies, structural adjustment programs, Washington and Post-Washington Reconciliation and globalization imposed on the outside in the 1980s and 1990s in Latin America opened a brand new but difficult to define page in Latin American history. This new tendency, called “new left” or “21st century socialism”, continued its rise with post-neoliberal and anti-neoliberal policies and the common feature of these

policies is that they aim to regain the power lost by neoliberalism (Emre, 2013, p. 2).

For the first time in Chile, after Salvador Allende, a socialist leader sat in the chair in 2000. Considered as the "representative of renewed socialism" in his country, Ricardo Lagos aimed to eliminate the neoliberal policies, the legacy of the Pinochet government. Although Lagos tried to save Chile from the devastating effects of the military coup era and neoliberal policies through spending on health and education, it could not create a deep transformation. The US-Chile relations continued in the same way during the Lagos period, and the Free Trade Agreement (FTA) signed between the two countries came into force in 2004 (Santarcángelo, Schteingart, & Porta, 2018, pp. 10-11). Michelle Bachelet, who came to power in 2006 after Lagos, took important steps towards creating a socialist state that was targeted from 1930 to 1970 but failed.

However, its aim is to create a state with post-neoliberal features rather than establishing a socialist regime. Aiming to transform the state into an actor that can solve social problems that the private sector cannot solve, Bachelet has suggested that the state should be primarily responsible for economic and social development. Bachelet also maintained close relations with the US in foreign policy (Santarcángelo, Schteingart, & Porta, 2018, p. 12). It is evident that Bachelet continues the fiscal policy of the Lagos government and establishes close ties with Washington on the post-neoliberal path.

In Brazil, the seeds of post-neoliberalism were first started to be planted in 2002 and then in 2006 with Silva, who was elected president of the Workers' Party. With the social policies accompanying neoliberal policies in the period of Silva, social stability has been achieved and progress has been made at the level of welfare. Brazil, which has the strongest economy in Latin America, became the 10th largest economy in the world in this period. Silva frequently stated that he would fight hunger and poverty in his election propaganda, and when he took office in 2003, he implemented the Bolsa Familia (Family Aid) and Fome Hunger (Zero Hunger) policies within the scope of social policies. These social policies were successful and aid was provided to those in need in the field of food, education and health. Many new institutions have been created with the social policies

that have turned into a state strategy, and the integration and synergy between the institutions has increased (Santarcángelo, Schteingart, & Porta, 2018, p. 31).

Brazil tended to form global alliances with post-neoliberal economies. BRIC countries, which Brazil started to lead with the Silva period, have been gathering since 2009 and are trying to take an active role in global economic issues. At the BRIC summit held in Brazil, member countries decided to expand the currencies used in international trade.

Brazil, one of the most powerful economies of Latin America, had close relations with the USA, just like the Bachelet Chilean, during the Silva era. As a matter of fact, in 2007, US President Bush and Silva made mutual official visits and signed an agreement to encourage ethanol<sup>18</sup> production, to establish standards of ethanol production and to increase production capacity and to provide financial support to Brazil (Sullivan, 2009). In April 2010, the Defense Cooperation Agreement was signed between the USA and Brazil, covering topics such as logistics, research, development and technology security. In this period when left governments came to power in Latin America, Brazil played an active role in domestic and foreign policy and tried to overcome the shortcomings and disadvantages of neoliberal policies.

Uruguay is one of the countries developing alternative models after neoliberalism. Tabare Vazquez, who was elected president in 2005, is of socialist origin like Silva. However, in Uruguay, by applying social policies to break the effects of neoliberal policies, it turned to post-neoliberal policies (Livingstone, 2009, pp. 212-214). The crisis that started in Uruguay in 1982 continued until 1986. By the 1990s, neoliberal policies brought poverty, high unemployment and social class gaps to Uruguay. In 1999, there was a recession in the economy, and the financial measures taken did not prevent the crisis in 2002. For the first time in 2005 in Uruguay, the coalition government formed by the left parties, Frente Amplio, came to power. In 2005, when Tabare Vazquez was elected president, a period in which social policies were prioritized in Uruguay. Vazquez established the Ministry of Social Development in March 2005 to reduce unemployment rates reaching 20% and poverty rates reaching 30%. Improvement policies in the field of nutrition, education, health, shelter and social security have been implemented within the

scope of the National Social Emergency Program (PANES). With PANES, strategies to reduce poverty have been implemented and family allowances have been increased. According to the 2007 WB assessment, absolute poverty decreased with PANES. The program, which was successfully implemented until 2007, was included in the Social Equality Program in 2008 (Flores-Macías, 2010, pp. 423-424).

In the field of foreign policy, Uruguay has a different profile compared to other Latin American countries and strengthened its bilateral relations with the USA rather than regional integrations. It has weakened its economic ties with Argentina and Brazil in order not to be affected by the possible crises in the region, and in 2005 a bilateral trade agreement was signed with the USA. “The anti-neoliberal process, which started with Chavez's election as the President of Venezuela in 1998, has begun to be experienced through social movements in other countries. The anti-neoliberal model, emerging in Venezuela, Bolivia and Ecuador, is unique in that it has a participatory public support compared to other Latin American countries. MAS (Movement towards Socialism) in Bolivia and mass revolts in Ecuador have played an important role in bringing anti-neoliberal governments to power” (Demirovic, 2009, p. 51).

Bolivia was ruled by a military regime between 1971 and 1984, after which the democratic regime, in which neoliberal policies were implemented, was passed. From 1984 to 2005, when Morales was elected president, Bolivia, where 6 presidents took office, was shaken by political instability. Evo Morales, with the anti-neoliberal discourse and the first head of domestic origin in Bolivia, came to power after the government of Eduardo Rodriguez collapsed in 2005 with social demonstrations.

In the referendum held in 2009, the rights of the locals were expanded with a new constitutional reform that was accepted with 63% of the votes and entered into force. In 2006, “Morales' relations with the USA were strained due to the issue of coca leaf production used in cocaine production and pharmaceutical industry. Bolivia is the third largest coca leaf producer in the world, and coca production and coca producers influence government policies. Morales, who is also a coca leaf producer, rejected the US request to stop coca leaf production in the UN General Assembly in 2009 as part of the fight against drugs” (Kohl, 2010, pp. 116-119). Morales canceled the Free Trade Treaty signed

by the previous Rodriguez government with the United States and joined the Bolivarian Alliance (ALBA) for Latin America, where Chavez was the pioneer. “Anti-neoliberal Morales, who established close relations with Venezuela, Cuba and Iran, expressed his opposition to US imperialism at every opportunity and expelled the US ambassador in 2008 on the grounds that he was engaged in anti-government activities. He negotiated with Russia on energy cooperation (the launch of the Russian Gazprom energy company in Bolivia) and reduced the dependence of the hydrocarbon industry on the USA. As a result of the reforms carried out in the Morales period, the economy grew on average by 5% each year. Morales has increased the share allocated from the state budget to social policies with nationalization programs in the hydrocarbon industry, and in 2013 the GNP of anti-neoliberal Bolivia reached \$ 67.29 billion” (CIA, 2012).

Argentina, which gained its independence in 1810, was shaken by crises every period due to the instability in its political and economic system. However, Argentina, which experienced one of the most severe economic crises in its history in 2001, tried to get rid of the tragedies created by neoliberalism by applying post-neoliberal policies. Argentina was ruled by brutal military dictatorships between 1966 and 1983. Only between 1976 and 1982, 30,000 Argentines were killed as a result of the brutal practices of military administrations. The loss of the Falkland Islands War with England in 1982 was an important development in Argentina that prepared the end of the military junta. Between 1976-1983, after the overthrow of Videla, Viola and Galtieri, Raul Alfonsin realized his first democracy administration in Argentina between 1983-1989. Then, Menem, who was elected as the governor of La Rioja in 1983 and known as Peronist, was elected president in 1989 with a 49% vote. In this period, Argentina's foreign debt increased from 8 billion dollars to 43 billion dollars (Petras & Veltmeyer, 2009).

During the 1980s, mass movements of working class and unemployed people have been seen in various parts of Argentina. While the military regime continued to pressure on these movements, the economic crisis has gradually worsened. The government of Raul Alfonsin, which replaces military rule, has been unable to rule the country due to corruption, mass actions, financial and political crises, although it implements a number of programs to achieve price stability and achieve full employment. In 1988, the inflation

rate rose to 348%. When Menem came to power in 1989, the Argentine economy is in a crisis of crisis, and monthly inflation rates are around 200%. For this reason, Menem has determined stabilizing the economy throughout its rule as the main target. Carlos Menem, the director of the Peronist Party, made decisions in the interests of international capital, contrary to the statist and nationalist policies he frequently stated before being elected. "Although Menem succeeded in controlling inflation and attracting foreign investors, unemployment rose from 7% in 1990 to 18.6% in 1995. Between 1989 and 1999, 150,000 people lost their jobs with privatizations in the water network, energy, natural gas, telecommunications and transportation sectors. Although Menem has implemented programs such as temporary recruitment, state aids and worker education to reduce unemployment rates through the Ministry of Labor and Social Security, it has failed to lower the increasing unemployment rates" (Levy, 2003, pp. 48-65).

Argentina, in the 1990s when Carlos Menem ruled the country as the president, was a country where popular riots took place and protests against high unemployment became widespread. These mass movements, which started with road blocking actions, are the starting point of the "Unemployed Movement", known as "Piqueteros" and one of the triggers of the Argentine transformation. Thousands of workers who were laid off after the enterprise was privatized started a fight for their right to work. These struggle groups, called "Piqueteros" or "Unemployed Movement", have strengthened and spread all over the country.

The actions that started in the poor regions in 1997 when unemployment rates exceeded 40% grew with the support of unemployed groups, women and youth, and the protesters started to occupy areas with more public institutions. Their aim is to reduce unemployment, provide unemployment benefits and reduce taxes. The most popular slogans are "Que se Vayan Todos!" (All of you to hell!) reflects widespread hostility to the politicians of the neoliberal era (Petras & Veltmeyer, 2009, pp. 55-56).

Maintaining the policies imposed by the IMF, Menem remained in power until 1999. De La Rúa, who held the presidency between 1999 and 2001, was overthrown by the revolt in 2001. Domingo Cavallo, who carried out the Ministry of Economy in the 23rd period of "2001 Crisis", restricted the withdrawal of money from savings accounts and

private current accounts in December 2001 and allowed citizens to withdraw only 200 pesos from their accounts every week in order to prevent the turmoil they created from the bank. The reason for taking this economic measure is that Argentina was on the brink of economic collapse in 2001 and the foreign debt amount reached \$ 132 billion (Cooney, 2007, pp. 7-12). The policies of the Fernando De la Rúa government, which came to power between 1999-2001 after the Menem period, when the most profitable state companies, natural resources, banks and even highways were sold, also failed. Mass actions brought the resignation of Fernando De la Rúa, after which Adolfo Rodríguez Saa, who was elected 49th President, stated that Argentina's debts were suspended and he was able to act as president for a week as a result of mass protests. Following Saa, Eduardo Duhalde was the temporary head of state from January 2002 to May 2003 and prepared the country for the elections.

Néstor Kirchner has joined the Partido Justicialista party as a member of left radicalism. The promise of social justice, economic and political independence played a big role in the success of Kirchner's party. Even though Kirchner came to power in an unfortunate period due to the chaos environment, he gained support for 80% of the people in less than 3 months (Grugel & Riggirozzi, 2007, pp. 25-26).

Kirchner stated in his first speech that the financial programs of the IMF are responsible for the poverty and foreign debts in the country and created positive effects both in the country and abroad with the domestic and foreign policies it pursued in the first years. With the wide-ranging operation it initiated in the army, police and intelligence services, it forced or dismissed many senior officials. These actions, which Kirchner followed in domestic politics, helped people to trust the system again and managed to reinforce their own power (Lessa, 2010).

According to Kirchner's economic policy, the economic packages prepared by the IMF, which is driving the country into a crisis, will no longer be respected and the country's economy will be controlled by the country's management.

The Kirchner administration reduced its national reserves and closed its foreign debts to the IMF in 2005. The Kirchner government's paying IMF debts in a short time gave

Argentina independence in the field of economy. The companies privatized during the Cavallo period were not seized. The biggest transformation in Argentina was realized in the field of social policy and a new social security system was established. The fall in prices of imported goods through free trade agreements in the 1990s, when neoliberalism was dominant, had a negative impact on the competitiveness of the domestic producer. The domestic producer went to lay off workers to reduce costs or employ precarious workers. This situation has created the social basis of the struggle against neoliberalism in Argentina. The "Unemployed Movement", which started with the privatization of the state oil company YPF, has created a social basis for the Peronist Party by including millions of people across the country.

Argentina turned towards a new development strategy with the Kirchner government by reorganizing the state's role in dealing with external debt, revitalizing the national industrial sector and managing social issues. It reached the GDP index of 101.07 in the first year of the Kirchner period, exceeding the figures before the crisis. At the end of 2007, the economy grew 25% more than the record level before the crisis in 1998 (Ludlam & Lievesley, 2012, pp. 338-339). Unemployment rates declined with economic growth. The poverty rate that exceeded 40% during the crisis decreased to 5%. As a result of the measures taken, GDP in the country increased by 8-9% in the first years of the economic recovery, and the production sector has made considerable progress. Thus, Argentina managed to get out of the most devastating economic crisis in its history with post-neoliberal policies (Ludlam & Lievesley, 2012, pp. 339-340). Kirchner's view that these successful policies stem from macroeconomic and industrial policies is widespread. The stable and competitive exchange rate has been one of the priority policies of the Kirchner administration. The effect of this policy has led to significant improvements in the export sector, and tax revenues entering the state treasury have increased. The peso has stabilized, the national debt has been withdrawn, and the government has been able to use the revenues it generates in social policies to reduce poverty and state infrastructure spending (Wylde, 2011, pp. 438-440).

Since its return to democracy in 1983, Argentina's foreign policy has remained dependent on the changing parameters of the political system and development model

and the process it has followed. The main problem of the country in 1980 was the lack of democratic stability and the military's political control. The Kirchner-era Argentine foreign policy generally reflects these concerns and includes pragmatic quests aimed at increasing regional cooperation and reducing the weight of the army to strengthen democracy. In the 1990s, management was more focused on market-related reforms. It is aimed to take important steps regarding transparency, stability and privatization. Therefore, foreign policy became part of the strategy to be followed in order to secure democratic changes and to make Argentina a fully integrated state in the world (Wylde, 2011, pp. 437-440). Argentina's efforts to become an integrated state in the world go through establishing close relations with the USA. As a matter of fact, Argentina maintained its close relations with the USA between 1989-1999, and in 1997, the United States provided Argentina with the right to become a "priority country that is not a member of the North Atlantic Treaty Organization (NATO)", thereby enabling Argentina to benefit from surplus military equipment.

The 2001 Economic Crisis has given this political and economic process a different dimension. Naturally, the transformation that took place in the country was also reflected in the foreign policy field.

Kirchner thought that the way to regain his presidential power and to restore the economic power of the state was to pursue policies within the framework of the Latin American concept in foreign policy. Therefore, the foreign policy pursued in this period requires Argentina to be made independent from the IMF. While defending the free trade system, Kirchner also showed the IMF as the reason for Argentina's drift into debt swamp and started negotiations with the IMF as the first job. In November 2005, Bush visited Argentina for the Americas Summit held in Mar del Plata. Kirchner did not want to jeopardize Argentina's relationship with the United States on bilateral and global issues. As of 2007, the investment of the USA in agriculture, economic services, energy and petrochemicals in Argentina has reached 14.9 billion dollars (Sullivan, 2009, pp. 5-6).

Brazil is Argentina's trading partner and its most important ally in the region. In 2003, Silva and Kirchner signed the Buenos Aires Accord, a manifesto against the Washington Consensus policies. Similarly, Kirchner increased its relations with Bolivia

through MERCOSUR (South American Common Market) and established regional energy partnerships with this country (Grugel & Riggirozzi, 2007, pp. 99-100).

Kirchner has established relations with MERCOSUR member countries in order to reduce social pressures within the country by making economic gains. The founding agreement of MERCOSUR, Asuncion was signed in 1991 by Argentina, Brazil, Paraguay and Uruguay, and the aim of the organization is to achieve economic integration in Latin America. The organization increased the number of its members with the participation of Chile, Bolivia, Peru, Colombia and Venezuela and became a customs union with the Oure Preto Agreement in 1994. In MERCOSUR, which does not have a strong institutional structure, members mostly turned to bilateral agreements. Argentina and Brazil are active members in the organization's decision-making process. As can be seen, while security issues become less important in Argentina after neoliberalism, regional economic integrations are given importance. Argentina's political and commercial relations with other countries such as Brazil, with which it competes in the USA and the region, also explain the post-neoliberal transformations in Argentina's foreign policy.

In the Cold War period, the harsh attitude of the USA in the fight against communism and security was also felt in Latin American countries. The USA, which has intervened in its own interests, has dragged Latin American countries to economic and political instability, and both the society-state and inter-class conflicts created by these instabilities paved the way for left governments to come to power. Kirchner also came to power in Argentina during this process. Exiting the USA axis, strengthening national capital through regional integrations are among Kirchner's promises of choice. Although Kirchner took moderate steps towards becoming a post-neoliberal state by entering economic integration with other countries in the region, he did not show the courage to jeopardize his relations with the United States (Grugel & Riggirozzi, 2007, pp. 14-17).

Therefore, the so-called anti-American policies pursued by Kirchner are the easing of the reaction of the people. However, the left-wing masses in Argentina are not as strong as the masses in Venezuela and Uruguay, and they want to improve their living conditions through economic and social reforms rather than the ideological change of the country (Barrett, Chavez, & Garavito , 2008, pp. 178-179). This made it possible for

Kirchner to pursue a balanced foreign policy that would keep his distance from the IMF, but would not limit his relations with the United States on bilateral and global issues.

Spain's colonial activities in South America, which started in 1522, first showed itself in Venezuela. Until this date, Venezuela had been divided into 9 different regions consisting of tribes engaged in fishing, agriculture, hunting and animal husbandry. Tribal peoples were enslaved in order to be employed in mines and agricultural areas, but as a result of the increasing demand, those who were brought from Africa were enslaved. Thus, Venezuela was the first country to encounter colonialism in the Latin American continent (Tarver & Frederick, 2006, pp. 22-24).

In the 1600s, Venezuela became culturally different with the slaves brought from Africa, with Spanish and Portuguese immigrants settling in the region, and became a country where imperial Spain established its own administrative mechanisms. Santiago de Leon de Caracas emerged as the commercial and political center of the colonies during this period (Tarver & Frederick, 2006, pp. 30-34). The 30-year-long struggle for independence has begun with Francisco De Miranda, the pioneer of the Bolivarian Revolution. Then, under the leadership of Simon Bolivar, the Spaniards were defeated in the Battle of Carabobo and Venezuela gained independence in 1821. Simon Bolivar (1783-1830) is a leader who struggled for the independence of Latin America and became a symbol of independence on the continent as a result of his heroism in this struggle. In his opinion, the only way Latin America can resist the imperialist initiatives of the European states and the United States is to establish large and powerful states and act together against the Western hegemonic powers (Topal, 2007, pp. 20-25).

He managed to unite Colombia and Venezuela under the name of Greater Colombia. However, after the death of Bolivar in 1830, the State of Greater Colombia disintegrated in a short time due to the power struggles between the regional leaders.

The colonial past on the continent was the basis for the Bolivarian anti-imperialist movement. With the independence struggles of Bolivar and his friends, Bolivarism has become an ideology that shows that Latin American countries have to fight together against colonialism. As Marx pointed out, Bolivar's anti-imperialism is not a struggle

against inequality between social classes. In this context, Simon Bolivar describes independence and Marxism depicts the social revolution.

“In 1831, after the death of Simon Bolivar, General Jose Antonio Paez became the first president of independent Venezuela. However, the civil war that continued until the late 1800s led Venezuela to be ruled by a strict military regime” (Burggraaff, 1972, p. 5). Venezuela has been shaken by coups and political conflicts that continued until 1958. With the Punto Fijo regime, the left parties remained outside the system, and the country was ruled by two right parties, Accion Democratica (AD) and Comite de Organizaçao Politica Eleitoral Indepente (COPEI). The public fought and resisted both the military dictatorships, as well as against the two main parties that ruled the government in the period 1958-1998. This resistance turned into a guerrilla-style armed struggle in the 1960s.

In the early 1970s, the oil and steel industries were nationalized in Venezuela by the President of the time, Carlos Andres Peres, with the pressure of large masses. However, with the neoliberal economic policies and measures imposed by the IMF as a result of the 1982 Economic Crisis that emerged with the spread of the debt payment crisis caused by Mexico to other Latin American countries, attempts were made to privatize the state-owned enterprises. These initiatives caused the public's standard of living to deteriorate. The steps taken for the excessive increase of the country's foreign debts and the closure of state enterprises in the inefficient industrial branches in order to save money for this purpose greatly increased unemployment and poverty, and the ratio of the poor reached 75% in the mid-1980s (Yeşil, 2013, p. 69).

By 1989, the first mass revolt against neoliberal economic policies took place in Caracas. The 40-year long Punto Fijo system began to collapse with the uprising known as the Caracazo Rebellion. The Caracazo Revolt, which emerged as a product of the people's ability to unite against neoliberalism and all imperial powers, was suppressed in a bloody way.

Although Venezuela can be considered one of the major economies of Latin America, the industrial sector in the country has not developed much. Thanks to the huge increase in oil prices in the 1970s due to the Arab-Israeli War, the country's export

revenues increased significantly, and large public investments were initiated through external borrowing. However, due to the decline in oil prices and a stable course, this excessive borrowing dragged the country's economy into disaster in the 1980s, and the heavy burden of the economy, which came into crisis, was burdened by the austerity policies. By the mid-1990s, the injustice in income distribution in the country increased and the per capita income fell below the 1960s level. While the current industry is largely under the control of foreign monopolies, the classes dominating the country's economy are observed to be bourgeoisie and large landowners (Hausmann & Rodríguez, 2006, pp. 1-9).

Chavez founded the "Fifth Republican Movement (MVR)" party in 1997 and was a candidate for the 1998 elections. When Chavez started his presidency in 1998 with 56% of the votes, the first government's ideological reference point was Simon Bolivar, who saved the country from Spanish colonialism. Chavez's election as president in Venezuela started a process called the "Bolivarian Revolution" in the country. The pro-Chavez, who call themselves Chavist, start this revolution when Chavez won the 1998 presidential election (Sylvia & Danopoulos, 2003, p. 68). The primary purpose of Chavez's Bolivarism in the first stage is to establish a constitutional framework through independent people and to reveal the true potential of the Venezuelan nation (Ludlam & Lievesley, 2012, pp. 107-110). The other purpose of the Bolivarian program was determined as the creation of a productive economy, and the idea of productive economy is associated with an economy that responds to the needs of people, not profit. However, at this stage, Chavez was constantly compressed by the market forces and it was seen that the discourses and policies of Chavez and his government were sometimes in contradiction with the views adopted by the public (Ludlam & Lievesley, 2012, pp. 107-114). Chavez's most important election promise was the creation of a new constitution based on the active participation of the masses in politics (Sullivan, 2009).

Chávez has attracted the attention of the world with the practices and projects he has implemented in both political and economic areas during his 14 years in power. In 2006 he founded the Venezuelan United Socialist Party (PSUV) by uniting the political organizations that supported him. In the elections held in 2012, he also sat in the chair for

the fourth time with 54% of the votes. Chavez got cancer and received treatment in 2012. However, he passed away (Hellinger, 2012, p. 51). He appointed Nicolas Maduro, the Vice President of Venezuela, as his successor. Nicolas Maduro was a student leader in his youth and played an extremely important role in Chavez's practices and reforms during his presidency (Kornblith, 2013, pp. 48-50).

One of the most important practices of the Chavez government is the end of the "Fourth Republic" with the adoption of the new constitution and the establishment of the "Fifth Republic". With the Fifth Republic, Chavez first changed the official name of the country to the Bolivarian Republic of Venezuela. With this new constitution, state intervention in the economy has been increased, foreign capital in the economy has been limited, thereby strengthening the independence of the national economy (Sullivan, 2009, pp. 3-5).

Some of the practices in this period are the enactment of laws regulating micro-economy and private sector activities, the establishment of the Venezuelan Social Development Bank and the re-expropriation of the oil industry. The backbone of economic policies pursued by Chavez is the growing public sector by transferring oil revenues from the macro level to the central budget (increasing the state share on oil revenues from 1% to 33%) and strengthening the tax system (Isbell, 2007, p. 7).

The first field that Chavez went to restructure within the framework of economic policies was oil policy, and therefore he took initiatives aimed at the increase of oil prices by providing coordination between OPEC countries. Oil production has been kept under control within the framework of the compromise between OPEC countries. Due to the foreign policy pursued by the USA in the 1990s and 2000s and the resulting Afghanistan and Iraq interventions, oil prices started to climb due to the increasing oil demand of China and India (Kaya, 2014, p. 194).

The second element of Chavez's economic policies is the real state control of the Venezuelan State Oil Company (PdVSA). With the Hydrocarbon Law enacted on November 13, 2001, Chavez achieved complete control of the state over PdVSA and doubled the share transferred to the state over oil income. Chavez and his supporters assumed that oil revenues will be transferred to the public through social policies and

considered state control over the oil company as the basic condition for ensuring economic development (Isbell, 2007, pp. 5-6).

Before Chavez came to power, a significant portion of the Venezuelan agricultural lands were in the hands of a small number of landowners. In 2001, Chavez ensured the "Land Reform Law" to be issued and distributed some lands that were seized by private individuals to landless peasants. This policy of Chavez led to the intense objection of the landowners and the local administrations under the control of the opposition and the clashes between the villagers and the local law enforcement agencies.

Venezuela, which has the largest oil reserves in the world, could not turn oil into a foreign policy instrument before Chávez. As for Chavez, he has managed to use oil as a tool in foreign policy, as well as making it the engine of the economy. By putting oil at the center of foreign policy, Chavez aimed to increase the country's income by raising oil prices through the Organization of Petroleum Exporting Countries (OPEC). With these strategies, Chavez tried to move the neoliberal financial institutions of the USA away from the IMF and WB from Latin America, supplying oil to neighboring countries, and signed oil contracts with emerging states such as Russia and China (Kaya, 2014, p. 200).

OPEC, which is among the founding members of Venezuela, was established in 1960 at the Baghdad Conference with the initiatives of Venezuela, Iran, Iraq, Saudi Arabia and Kuwait. Its aim is to ensure cooperation between oil producing countries and stability in oil prices. However, with the 1973 Crisis and then the 1979 Iranian Revolution, oil prices rose excessively, and prices could not be stabilized among member states. Oil prices, which declined in the 1980s, declined to the prices of 1986 since the second half of the 1990s. With Chavez becoming president in Venezuela, there was a revival in OPEC. Long-term strategies on energy markets, sustainable development and environmental issues were determined at the 2005 Riyadh Summit. During Chavez's presidency, Venezuela has become an increasingly important state in affecting oil and gas production capacity and prices. Chavez visited OPEC member countries and organized OPEC Summit in Caracas in 2006. At this summit, it was decided to pursue common policies with the member countries and OPEC was transformed into a more effective

organization for the control of oil prices. This situation has been met with concern by the USA, which consumes 25% of world oil production (Morrison, 2000).

Another example of Chavez's turning oil into a foreign policy instrument is its relations with Russia. By selling oil to Russia, he bought weapons he could not buy from the USA and increased his military capacity. Within the framework of these relations, the Russian Navy and Venezuelan warships carried out a joint naval exercise off the Caribbean in 2008. While Chavez is engaged in initiatives such as establishing a common naval base with Russia and joint production of war vehicles, military agreements were signed between the Russian Defense Export Company Rosoboronexport and the Venezuelan government in the period 2005-2009 (Marthoz, 2014, pp. 6-7).

The agreement between the Venezuelan state oil company and Russian companies for oil exploration and extraction in Venezuela was also signed during Putin's visit on April 2, 2010. Putin stated that they will continue to sell weapons to Venezuela and are eager to support and develop Venezuela's defense opportunities. During the period in question, Russia agreed to open a \$ 2.2 billion loan to Venezuela for the purchase of additional weapons, and since 2005 Venezuela bought military equipment from Russia, including warplanes, helicopters and 100,000 Kalashnikov rifles, with a total price of more than \$ 4 billion (BBC, 2010). In addition to the studies carried out jointly with Russia in the military field, Venezuela, which has rich gas reserves on its coasts, has been conducting joint projects with the Russian Gazprom company since 2005.

Venezuela and Russia's commercial and military agreements are interpreted as a challenge to the unipolar world system of the USA. The exercise of Russian ships in the backyard of Latin America and the joint projects signed by Russia and Venezuela in the field of energy disturbed the USA (Ellis, 2015, pp. 31-32). Another of Chavez's policies that bothers the USA is its efforts to establish good relations with China. He challenged US hegemony by emphasizing multipolarity in his words (Gott, 2008, p. 197). Venezuela was the country where China invested most in Latin America. Trade agreements of billions of dollars were made between the two countries between 2003 and 2008, and trade between the parties increased 10 times and the volume of trade, which was 500 million dollars in 1998, reached 7.15 billion dollars in 2009. In 2007, China became the

third most exported country to Venezuela. However, oil trade between China and Venezuela remained limited. The main oil supplier of China is Iran, where it can supply oil cheaper (Corrales, 2009, pp. 100-109).

The good relations that Chavez has established with Iraq and Iran have attracted the reaction of the US administration targeting these countries. Immediately afterwards, US military planes were prohibited from using the Venezuelan airspace for their operations in the region.

Chavez's efforts to determine alternative foreign policy strategies to the USA disturbed Bush, and the steps that Chavez took in foreign policy during the period until 2002 provided a ground for the attempts and preparations of the US hegemony against the Chavez government. In Venezuela, support was provided for the sections of society that were disturbed by Chavez's social policies, and campaigns against Chavez were accelerated and strikes were carried out across the country. A military coup was carried out on April 11, 2002 to overthrow the Chavez administration (Lemoine, 2013, pp. 107-111).

“With the coup, Pedro Francisco Carmona Estanga, the President of the Venezuelan Businessmen Association Fedecamaras, sat in the chair, the National Assembly was disbanded and all laws of the Chavez government were declared invalid” (Lemoine, 2013, p. 108). However, the pro-Chavez masses went out to the streets against the coup. In these conflicts, 46 demonstrators were killed and 350 people were injured by the coup plotters. However, after this coup attempt that failed due to the pro-Chavez attitude of a part of the army, Chavez was re-seated on 13 April 2002 (Lemoine, 2013, pp. 106-110).

According to Chavez, Latin American countries should fight together against the US and global capital, not individually. In this way, they will ensure economic and political development and get rid of the chains of neoliberalism. In the Chavez era, Venezuela challenged the implementation of the Free Trade Zone Agreement (FTAA), a US-led free trade area plan that the United States envisioned and tried to realize. For this

purpose, ALBA (Bolivarian Alliance for Latin America) was established with the agreement signed between Cuba and Venezuela on 14 December 2004 (Hirst, 2016).

Chavez targeted the establishment of oil companies belonging to Latin American countries and thus economic and social development of Latin American countries by supplying oil cheaper. For this purpose, Petrosur and Petrocaribe Agreements were signed within the scope of ALBA. With the Petrosur Agreement signed by the state oil companies of Brazil (PETROBRAS), Argentina (ENARSA) and Venezuela (PdVSA) on May 10, 2005, it was decided to construct pipelines to transport oil to these countries and to establish refineries for Venezuelan oil in Brazil. Petrocaribe is the Energy Cooperation Agreement signed on 29 June 2005. The organization, which was established with the signing of 14 member countries, has 18 members today (Jacome, 2011, pp. 1-6).

Its purpose is to enable Venezuela and Cuba to carry oil to the Caribbean cheaply to end the US oil in the Caribbean. Chavez found it necessary to create an economic system that unites all Latin American countries and aims to reduce poverty and to establish a bank for this system to function. As a matter of fact, Banco del Sur was founded in 2007, financed by Venezuela, Argentina and Brazil to provide the necessary credit to Latin American countries (Gott, 2008, pp. 52-53).

With this cooperation process developed by Chavez through an anti-neoliberal understanding, many Latin American countries contributed to this change and benefited from the results of this change. Chavez developed relationships not only with Latin American countries but also with many countries in many parts of the world on the basis of anti-US. The various agreements it has signed with many countries such as Iran, Russia and China and the commercial relations that are carried out in line with these agreements are the results of Chavez's anti-neoliberal policies.

While Chavez takes the leadership of freeing the region from US hegemony with anti-neoliberal policies, it aims to ensure that post-neoliberal governments are involved in Latin American integration, at least in their economic relations. To this end, Chavez has developed bilateral economic and political relations with Latin American governments. He made energy deals with the governments of Brazil, Chile and Uruguay and supported left-wing candidates in the Bolivian and Ecuadorian elections. Chavez set out with great

aims in the field of foreign policy and did not hesitate to take important steps required by anti-neoliberalism (Gott, 2008, pp. 190-199).

#### **4.3.SUMMARY OF THE ECONOMIC PARADIGM OF LATIN AMERICA THROUGHOUT ITS HISTORY**

Since the economic politics of the Latin American continent went through quite different stages and underwent changes, this section summarizes the continent's political economy history over the economic stages it has gone through.

All the gold and silver mines of the region have been used to increase the welfare of Europe. When the mines were exhausted, other products such as cocoa, sugar, rubber, copper and nitrate served the industrialization of Europe and the USA. In the 20th century, exports of coffee, banana and oil became quite common. In addition to the export of natural resources, Latin America, which became a market for European goods, imported all processed products from developed industrial countries (Vanden & Prevost, 2014, pp. 156-158).

Natural resources and trade of agricultural products have been very important for the world economy. One of the most important reasons for colonial expansion to continue for centuries is Europe's intense demand for commodities. Since the continent's invasion by the Europeans, Latin American societies exported commodities such as coffee, sugar, banana, petroleum and silver and spent their income to buy processed goods from Europe. The low level of commodity prices made this trade fairly unequal and condemned millions of people in Third World countries to live in bad conditions. The largest economies of the continent, such as Brazil and Mexico, were partially industrialized in the 20th century but remained under the control of multinational companies (Green & Branford, 2013, pp. 22-23).

On the continent, where agricultural production is the main form of production, a social structure like feudal structure prevailed. Landowners have employed workers at very low wages in very severe conditions. The income obtained by landowners has been used to support their living conditions and no investment has been made to improve production. This unequal social structure caused small farmers to leave their land and turn to wage labor and have to sell small pieces of land in their hands due to their debts (Vanden & Prevost, 2014, p. 159).

The Latin American societies, who were doomed to a commodity trading economic structure, tried to survive under unstable economic conditions. Using the power of developed industrial countries within the international economic structure, keeping commodity prices at a very low level made it impossible for the Latin American producer to compete with developed countries (Green & Branford, 2013, p. 23).

After the Second World War, the import substitution industrialization policy gained popularity. Production areas that have comparative advantage potential in developing countries should be protected and supported by the state until they can compete with developed countries. This model, in which the state will make economic arrangements through tariffs and quotas, has been applied in many countries until the 1970s (Krugman, Obstfeld, & Melitz, 2017, pp. 276-277). The policies implemented have been somewhat successful and the share of manufacturing industry production in Latin American countries has increased to levels in developed countries (Krugman, Obstfeld, & Melitz, 2017, p. 279).

ECLA Director Raul Prebisch conducted a research on the products imported and exported from Latin American countries in the late 1940s and concluded that the terms of trade changed over time in Latin America, and the prices of imported products increased more than those of the products exported (Prebisch, 2016, p. 53).

For this reason, imported substitution industrialization policies were used in Latin America in the 1950s and 1960s. Much less of the income earned from primary product exports is planned to be used in final product imports, and it is aimed to make the terms of trade more balanced. It is aimed that the foreign currency will remain in the country to allow capital accumulation. National entrepreneurs are supported and encouraged to establish new industrial facilities (Vanden & Prevost, 2014, p. 167).

The growth of the industrial sector slowed down in the 1970s, as the urban population increased, job opportunities became insufficient and there was no improvement in income distribution (Baer, 1972, p. 95).

The high rate of protection policies implemented in Latin America caused industrial products to be produced at much higher costs than imported equivalent products. When a high profit rate is obtained in the market, many new companies are added to that sector and this makes production inefficient. The inequality of income distribution and the increase in unemployment levels also caused the abandonment of

imported substitution industrialization policies (Krugman, Obstfeld, & Melitz, 2017, pp. 280-283).

In the late 1970s, export oriented industrialization policy became widespread in Latin America. This policy, which encourages firms to compete with international firms in free market conditions, focuses on the benefits of an open economy (Palley, 2011, pp. 3-5).

During the 1980s, tariffs were reduced, import quotas were lifted and markets were opened to competition. This period, in which neo liberal economic policies were implemented, was shaped by the Washington Consensus policies in 1989. This period, in which all obstacles to trade and foreign investments were removed, markets were liberalized, and state-owned enterprises were privatized, and economic reforms for Latin America were in succession (Cárdenas & Helfand, 2011, p. 9).

Structural reforms in the 1990s made Latin America very vulnerable to external shocks, and the idea that these policies did not work after the 1997 Asian Crisis spread across the continent. Budget deficit and current account deficit have become unsustainable and currencies depreciated. Public spending has declined and unemployment has become terrible in many countries (Cárdenas & Helfand, 2011, pp. 9-10). The growth rate experienced in the continent in the free trade period remained at much lower levels than the growth rate of the import substitution industrialization policies (Krugman, Obstfeld, & Melitz, 2017, p. 284).

With Hugo Chavez winning the Venezuelan elections in 1998, the chain of victory of his left governments started in many Latin American countries such as Argentina, Bolivia, Brazil, Nicaragua, Chile and Ecuador. These left governments and leaders have gained the support of social movements resulting from the people's reaction to the Washington Consensus (Ruckert, Macdonald, & Proulx, 2017, p. 1583). Unlike neoliberal policies aimed at withdrawing the state from the economic sphere, governments have realized that the state is a key actor for development (Ruckert, Macdonald, & Proulx, 2017, p. 1586).

The speech of US President James Monroe at the American Congress in 1823 is very important for the future of Latin America. In his speech, US President James Monroe stated that the USA will not interfere with the affairs of Europe, while Europe should not interfere with the continents of the continent in order to maintain good relations with the United States. With this doctrine, the USA prevents the ambitions of Britain, France,

Russia and Spain to seize Latin American lands, resources and workforce and has started to turn Latin America into its backyard (Livingstone, 2009, p. 9). In the 1860s, Spain, France and Britain's involvement in Mexico's internal affairs and sending an army to Mexico were faced with the harsh intervention of the USA, and the political stability and economies of Latin American countries became more dependent on the USA. Following these developments, the USA managed to keep Cuba, Puerto Rico, Haiti and Dominica under control with the opening of the Panama Canal in 1914 and then with Banana Wars (Livingstone, 2009, p. 26). Insecurity towards US policies has increased in Latin American countries.

Between 1939 and 1945, it was the period of positive and close relations between Latin American countries and the USA. The signing of the Rio Pact in 1947 and the establishment of the Organization of the United States in 1948 (OAS) signaled that there would be mutual cooperation between the parties. However, After World War II, the relations were back to their former levels, the insecurity and hostility of Latin American countries to the USA showed itself again. Latin American countries claimed that the USA used the countries of the region to provide resources for it by manipulating Latin America during World War II.

In the Cold War period, Latin America, which was tried to be directed in the direction of US interests, converged to Soviet Russia and communism. The reason for Latin America's convergence to socialism is that it uses Latin American resources in World War II, but does not provide assistance to these countries to recover their economies after the war (to countries other than Guatemala and Peru), and shifts their aid to European and Asian countries under threat of communism. With the Cuban Crisis, the relations of the USA with regional countries were strained, and Washington supported military administrations in response to the threat of communism. Between 1962-1966, 46 military coups were carried out in 10 countries in Latin America and dictatorial governments were brought to power.

By the 1970s, the US pressure and exploitation on Latin America continued in the economic, political and military fields. After the end of the Cold War, the paradigm of the relations between the countries of the region and the USA has changed, and the

pressure that the US has established with military regimes and military interventions has shifted to the financial field.

FTAA, presented by Bill Clinton with the slogan "Free trade from Alaska to Tierra del Fuego" at the first summit in Miami in 1994, is based on the North American Free Trade Zone (NAFTA) model, which mainly consists of the USA, Canada and Mexico. In other words, FTAA is the spread of NAFTA throughout the continent. It is based on the principles of free trade, privatization and minimization of government control over the markets, since the neoliberal agenda, which has influenced the world since 1980.

Within ten years of its implementation, NAFTA caused serious damage to the working class in Mexico and the USA. Many companies that took advantage of cheap labor moved to Mexico, causing 880 thousand people in the United States to become unemployed. Those who could find a new job had to say yes to an average of 23 percent less than they had received before. Unemployment brought about a dramatic drop in wages, a decline in labor standards, and the liquidation of unions from economic life. As a counter-current, the US received a massive illegal worker migration from Mexico. Public services fell in all three NAFTA countries. Health services have collapsed in Canada.

The Mexican economy was turned upside down by the combined effect of the devaluation of peso and the simultaneous opening of borders to free trade. Traditional trades have been hit hard, with US goods dominating the markets. Until 2000, 28 thousand small businesses that could not compete with foreign capital went bankrupt. 8 million families fell from middle class to poverty. In the field of agriculture, domestic producers have been crushed by not competing with large food companies. 1.5 million farmers lost their land. According to statistics, more than 1 million Mexican diaries agreed to work below the minimum wage of \$ 3.4. Dirty industries along the US-Mexico border continue to give irreversible ecological damage, despite all opposition. Chemical wastes cause health problems ranging from hepatitis to disabled births in most uninsured workers working in these regions.

The truth behind the US-imposed FTAA project is the presence of millions of people in Haiti, Guatemala or Brazil, worse than in northern Mexico, ready to work with dollars and cents. From here, the models in question are nothing more than postmodern slave trade.

Socialist leaders who came to power in succession in these opposing countries, which have experienced great economic depression due to neoliberal policies, gathered votes by making anti-FTAA propaganda in the campaigns of Chavez, Lula, Kirchner and Vazquez. At the summit held in Mexico in 2004, the January 1, 2005 deadline for the completion of the negotiations with the participation of the Caribbean Community (Caricom) was passed without going to the signature desk. Instead of shaping a fairer deal environment, the United States made a series of moves that dismantled the FTAA by taking the loyal center-right governments along the Mexico-Colombia line. Excluding the opponents, it gathered the G13 summit, where it brought to the table new bilateral trade agreements, as well as new free trade zones in Central America, CAFTA and the AFTA region. It forced Bolivia to choose its side, which was marginalized in the region.

The threatening counterattack of the USA has yielded results, 29 of the countries participating in the summit declared that they found the point reached in the negotiation process and the 2006 calendar imposed for the signature. But MERCOSUR states and Venezuela, which recently joined the group, said they would not sign until a document providing equal rights to all parties.

Host Argentina President Nestor Kirchner harshly criticized neoliberal policies that brought his country to zero. In his speech at the protest rally, Chavez, the star of the summit, said to Bush that he was "there to bury the FTAA" and said to Bush "fascist and terrorist". After all, Bush left his hands empty from Argentina, FTAA got into a deadlock. Latin America started moving in a very different direction than Washington had predicted ten years ago.

Most Latin American countries received large loans from the World Bank during the dictatorships and wars of the 70s that the poor majority could never benefit from. After moving to democracy, they had to make economic reforms required by the IMF to

get rid of this debt burden. Throughout the 80s, many of the Latin American countries implemented the neoliberal reform package prepared by the Reagan-Thatcher duo, namely, by consuming the imported one, at the expense of destroying domestic industries by opening their markets to imported goods, by privatizing the public services, removing the state control in the financial sector, etc. he tried to achieve talismanic economic growth.

But most of the results have been disastrous. Unemployment and poverty increased, with the introduction of the free market mechanism, public services, especially health and education, suffered great erosion, and social injustice in general reached the worst point. After the 1994 Mexican crisis, in 1999 Brazil, Argentina and in 2000 Uruguay had a similar experience of economic depressions. Latin America was buried in the debt to the IMF in the 90s, rather than paying more than its debt itself.

Economic destruction triggered its opponent, bringing together social movements in Latin America. Workers, women, Indians, farmers, churches, human rights groups, environmentalists and university youth have created a dynamic front against internationalization of multinational companies on the continent by creating international movements. Coordinations operating in all Latin American countries such as Via Campesina and CLOC have been the carriers of the internationalist agenda. These organizations, which have been under the spotlight of the FTAA process from the beginning, are growing by opposing alternative summits and creative actions that have not been tried before.

The socialist wave in Latin America began in 1998, when Hugo Chavez came to power in Venezuela, and continued with Ecuadorian leader Lucio Gutierrez in Ecuador. The first big salvo "oil guerrilla" in the political arena came to FTAA from Chavez. Chavez, who went to the referendum in 1999 and changed the constitution, guaranteed many rights, which were the priority of the social movements struggling on the continent, including "the prohibition of the privatization of oil". During the two term presidency of Fernando Henrique-Cordoso, Brazil's greatest power was the fierce defenders of FTAA. But the balances have changed when Lula, who had an anti-FTAA election campaign in 2002, came to power.

The draft agreement, which was corrected in 2003 and presented for the second time, led to a disagreement between the USA and Brazil. From this point on, the discussions between the two major countries determined the FTAA process.

Lula's effective attitude at the negotiating table directly affected election campaigns in Mercosur countries. The elections ended in 2003 with the victory of the left coalition in Argentina, which was ruined by the economic collapse resulting from IMF policies. The new president, Nestor Kirchner, came to power with the support of social movements that opposed neoliberal policies. Mercosur integration accelerated, Argentina took a clear position at the FTAA table. In 2004, the first leftist president of Uruguay's history, socialist Tabare Vazquez came to power. Thus, a strong consensus occurred against the US FTAA imposition in the Mercosur block. With the EU, China and Russia, they had the political power to search for alternatives. Finally, socialist leader Evo Morales in Bolivia came to power with 54 percent of the vote, making a 25-point difference to his closest rival. In 2003, liberal president Lozada, who tried to privatize natural gas (the continent's second largest source) and water, was removed from power as a result of massive protests led by the natives. Morales is the first Indian president in the history of Bolivia, where a large part of the population is indigenous.

Chileans are bringing power to the center-left coalition called Concertacion, led by the Chilean Socialist Party since 1990, when Pinochet fascism ended. The coalition nominated Michelle Bachelet, considered the most radical of the candidates to date, for the fifth term. Bachelet, who will be the country's first female president if elected, advocates joining Mercosur, a socialist from the Allende tradition. He scored 46 percent of the vote in the first round, with a difference of 20 points to his closest rival, a favorite of the second round.

## 5. CONCLUSION

The phenomenon of globalization would not have happened without colonization. Claiming that it aims to bring so-called civilization to societies identified as barbarians and help their economic development, the colonial West exploited all the assets of those societies and exploited all their resources. Colonization was a mandatory step for capitalist development. The colonial powers seized the countries they colonized at gunpoint and established power over the societies they called barbarians with the world's heaviest wild and barbarian methods. While capitalism was spreading, it destroyed all domestic structures, attacked all socio-economic and cultural traditional structures of societies and eliminated all but its own mechanisms.

The end of the colonial history did not eliminate capitalist dilemmas. The deep gap between North and South is a deepened capitalist outcome thanks to globalization. The economy of the Southern societies based on the agricultural economy, which has been cut from the general economy and only to serve the interests of the central countries, has never been under their control. These societies, whose industrialization is quite insufficient and whose trade balances are unfavorable, export to a large extent based on agriculture and import processed industrial products from metropolises. The big trade deficit created by this situation hits the economies of these societies and prevents them from really developing. These economies, which could not provide national capital accumulation, were pushed to external borrowing and resulted in the privatization of public production tools and the transfer of efficient domestic companies to multinational companies.

Globalization can be read as taking liberalism to a much higher level. Globalization minimizes the role of the state and dismisses the political will's right to speak on the economy through frequent oversight of institutions such as the IMF.

There is a partnership between the current cycle of capitalist development and previous periods. From the multidimensional and often confused discussion of globalization themes, a contest was reconsidering the discussions between the

modernization and dependency paradigms of the 1960s and 1970s. The school of modernization was represented by the presidency advisor of John F. Kennedy, WW Rostow (1990 [1960]), who argued that developing countries had to modernize their traditional social forms, behaviors and institutions by following the same path as rich, industrialized countries. The North Dependency School, as a prerequisite for boosting their economies, has openly opposed this view, arguing that there are exploitative relations between the rich countries in the center of the world system and the poor countries in the vicinity. As a leading figure in the Dependency Theory, Dos Santos says, underdevelopment is “a consequence and part of the process of the world expansion of capitalism,” with a “transfer of resources from the most backward and dependent sectors to the most advanced and dominant ones” (Dos Santos, 1970, p. 231).

Modernization is the ideological self-expression of foreign capital that sees itself as a positive subject that brings progress. The return of the modernization paradigm and the struggle for hegemony have been theorized in recent studies by the authors of the center-right. According to Edwards (2009, p. 31), the idea that the long-term decline of Latin America is the result of a vast North, capitalist and Anglo Saxon conspiracy is completely impounding. The reasons for the region's mediocre economic performance should be explored within Latin America. Michael Reid said, “Latin America has advanced. . . . It is no longer Galeano's Latin America, but a brilliant propagandist for a certain vision of history.” Modernizers' problematizing underdevelopment focuses on poor governance or “weak policies and weak institutions,” as Edwards says. As a result, Latin American countries need to adopt “good governance” and “strong policies” and reform their institutions to be successful. Governments will only deserve these positive attributes as long as they open their markets and promote foreign trade and investment (Fukuyama, 2008, p. 282).

The dependency paradigm has created extensive literature (Chilcote R. , 2003). In his classic article, Theotônio dos Santos (1970, p. 231) says that dependency is “a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected.” Within the Dependency paradigm there was a wide-ranging debate about the causes and mechanisms

of the dependent situation. The Marxist wing tried to ground dependency in an analysis of the class's exploitation, leading to the reformulation of the concept even at the most general level. Thus, Enrique Dussel (2001, p. 205) emphasizes that dependency is an “international social relationship” and defines the essence of the concept as “transfer of surplus value from the dependent region”. Value transfer is an area where apparently simple quantitative differences can basically represent important categorical differences. The Dependency school argues that subtracting systemic value creates underdevelopment or, at best, provides a dependent development. Foreign investment in particular depends on a bipolar relationship; Flowing investments do so only on condition that profits are made and flow back to the investing party.

According to the Dependency theory, the development of the central countries was made possible due to the surplus value transferred from the periphery to the core countries. The current international system is in a state that creates an economic hierarchy and imposes this situation to the neighboring countries.

According to Frank (1969), capitalist development cannot be possible in Latin America. The surplus value transferred from the Latin American countries integrated to the world capitalist system to the core countries is the basic element of a system in which Latin American countries are the satellites of the core countries. Peripheral countries have not been able to make an economic development in this system and cannot meet their social needs. So much so that the economic developments of these countries are shaped according to the needs of the core countries. The surplus value is transferred from the peripheral countries to the core countries through trade. By creating an international wage gap in favor of the employees in the core countries, this surplus value is created and transferred to the core countries. The transfer of income between countries takes place in an inequality resulting from the different wages and causes an unequal exchange (Wallerstein, 2003).

The developed states are the main reason of why the Third World countries have backwardness comparing to the rest of the world, the Dependency theorists claim. Internal dynamics of those countries are not the features which should be analyzed to understand the failure of development, instead, the historical processes should be examined to see

the real dynamics which caused the failure to develop those countries. Civil wars, coups, interventions of Western states and many other problems that were faced by the non-Western societies caused political instability in these countries. Underdeveloped societies were exploited by the developed countries with the aim of getting richer thanks to underdeveloped societies' resources. Unequal level of development will be existing unless capitalist relations diminish. Following the path of capitalist countries is not the way of reaching the level of advanced state for the Third World societies.

According to Dependency Theory, the developed countries and the underdeveloped societies have a dependent relationship which is the reason why the underdeveloped ones continue to be in the same level of development. As long as this dependency relationship goes on, the peripheral countries can not develop or get enrichment.

It is not something desirable for the developed countries to have a real economic development of the underdeveloped societies since all crucial raw materials which came from the underdeveloped societies provided a huge profit for highly developed capitalist countries. That is why Paul Baran argues that the Western European capitalism is the reason of the backwardness of underdeveloped societies (Baran, 1973).

According to Paul Baran (1973), the inability of underdeveloped societies to develop is caused by the capitalism itself. It is claimed by Andre Gunder Frank that the mercantilist and capitalist era of European nations was the starting point of underdevelopment process of the Third World societies. Industrial capitalism and mercantilist development caused triggering the process of underdevelopment. Moreover the system provides the ground for the further development of developed countries not of the underdeveloped societies (Frank, 1981a).

The inequality of income distribution and taking the surplus value by the bourgeois class spread to the all nations with the emergence of the capitalist world economy around 1500s in Europe, the main thinkers of Dependency Theory Andre Gunder Frank, Samir Amin, Giovanni Arrighi and Immanuel Wallerstein claim. According to Andre Gunder Frank, internal contradictions of capitalism are the main reasons of underdevelopment. Destruction of underdeveloped societies and exploitation

of all kind of resources those societies have are the main tools of capitalism to gain the surplus value only for their own bourgeois class's interests (Frank, 1981a).

As the development and spread of international capitalism increased, so did the core countries' power to exploit periphery societies militarily and economically. Periphery countries are left behind while core states continue developing with this process. Therefore, it would be very much fair to claim that the backwardness is artificial and created by the external factors namely the capitalist development process. At the end of the 1940s, Dependency Theory was developed in order to understand the historical context of underdeveloped societies. How international trade effects the development process was discussed by the scholars from the ECLA throughout the 1950s.

ECLA claims that the development gap between the developed and underdeveloped societies increase because of the unequal trade relations between these societies. Raul Prebisch as one of the founders of ECLA represented one school of Dependency Theory while Andre Gunder Frank represented the other branch of the Theory by his famous thesis 'development of underdevelopment'.

The scholars called 'desarrollistas' claimed that undesirable characteristics of the underdeveloped societies could be eliminated only if industrialization occurs. According to Celso Furtado (1965), the domestic market could grow and gain tendency to grow if the diversity of production increases to obtain important amount of internal resources for upcoming investments. Furtado claims that the emergence of capitalism in the peripheries were caused by external factors such as consumption style occurred after industrial revolution and transferred to the all around the world from the developed countries. Establishing the international division of labor was the main of the industrialized countries to exploit the backward countries with the help of consumer societies that began to emerge in these underdeveloped countries.

In 1960s, economic growth and desired results stopped in the countries which implemented ECLA policies to develop domestic industries. Economic recession after the self-sufficiency strategy failed occurred and the problems in social and political areas emerged. The growth of domestic market stopped after only a small part of the society's purchasing power increased. This happened in the big cities and the labor force from the

rural areas was attracted by this industrialization step. It was not the case that there would be a increasing trend in labor wages with adopting import substitution industrialization as it was expected. Rather, workers' purchasing power did not increase after they flocked to the cities to be a part of small-scale industrialization in the cities.

Because ECLA and other organization which aimed to make development in the underdeveloped societies did only focus on the terms of trade that were implemented by the core countries against Latin America and on colonial relations, the real dependency ties such as foreign capital and aid which created the colonial structure the most were not taken into consideration to understand and solve the problems of backward countries, Andre Gunder Frank claimed. The institutions and the scholars which Gunder Frank lead his criticisms towards, ignored the internal colonial structure in these societies and feudal mode of production.

Coming to the subject of foreign aid, the private capital investments that the US had in Latin America went directly back to the US itself. American companies which were operating in Latin America got the aid coming from the US. The Latin American bourgeoisie did not benefit from the aid as much as they expected.

According to Susanne Bodenheimer (1971) this dependency situation is a constant condition since the 16<sup>th</sup> century in Latin America and the international system, which is consisted of the accumulation of capital, the rules of international trade and the incorporation of the backward countries to the international capital system, provides the necessary conditions to maintain this dependent relation.

According to Chilcote and Edelstein (1974), the ruling classes in the underdeveloped societies supported the capitalist imperialism which is the main reason of backwardness in Latin America. It is the only way for salvation from this situation to fight for the classless society to be founded. In Cuba, this was the case. Perhaps full equal conditions could not be founded in the distribution of income with the Cuban Socialist Revolution but the main goal of the Revolution was to establish a classless society. The wages in rural areas increased, luxury goods were removed from the markets and new job opportunities were created for the people.

After Cuban Revolution took place, Che Guevara described this as a great victory against the imperialism and unity against the American imperialist structure is a must for all societies. China, the Soviet Union and Cuba had achieved important things to reach a socialist system, Christopher Chase-Dunn argues (Chase-Dunn, 1978).

Fernando Henrique Cardoso (1977) advocates that social and political conditions should be distinguished from the economic conditions. Evolution should be taken place rather than revolution, he says. According to Cardoso, theory of imperialism and capitalist development of Lenin is not valid to explain current capitalist world order. Cardoso and Falsetto argues that, the change in economic conditions is very beneficial for a country, while the same change has negative consequences for another country. The dependence and backwardness of the Latin American countries should be explained by the ties that connect these countries to the world markets. After independence from Spain, Portugal and the United Kingdom, the new ruling classes in these countries got power and the emerging commercial elite became dominant. In Latin America *desarollo* was the economic-political outcome.

According to Cardoso (1977), economic development could not be provided by import substitution industrialization as ECLA recommended. He argued that the end of the inter-class alliances led to the end of import substitution policies. Cardoso advocated that the main reason of the backwardness of Latin America was relative interests between classes rather than international imperialism. Therefore, it is very much obvious that Lenin and Cardoso had very different approaches in explaining the dependency. According to Cardoso, dependent development is possible while Lenin accepted development and dependency as two separate phenomena that cannot coexist.

The dependency which was created in the colonial period by the industrialized colonizers maintain its effect in Latin American economies even today. In Latin American societies exports depend still on raw materials. This flow of raw materials from underdeveloped societies to developed countries made growth of industries of core countries possible and easy. At the same time the colonial countries demanded the goods from the industrialized countries and this demand was increasing. Therefore, colonies were really profitable markets for the developed countries. By the way, while all of these

were taking place, the rural elite of the dependent countries gained every temporary wealth to increase their economic strength. That is why this group in the dependent societies was trying to maintain status-quo and resist the all kind of changes that could disrupt this system in which they gained profit.

One of the main aims of Dependency Theory is to find the roots of the backwardness of dependent countries. Indigenous manufacturing industries of colonies were destroyed, and domestic industries were collapsed by the expansion of commercial capitalism. These infant industries were so weak to be in competition imported goods coming from the industrialized countries since the imported goods were cheaper than the domestic goods because of the increasing inflation.

In addition to examining the approaches of Dependency Theorists to the situation of backwardness, learning the approaches of Neo-Classical economists is also explored in the thesis as it would help to grasp the subject. I think it makes the perspectives of Dependency theorists more meaningful to see what kind of approach neoclassical economists take while examining the economic conditions of the backward countries. Neo-classical economists claim that development could be provided by foreign trade. According to David Ricardo who was the founder of comparative advantage theory and Heckscher and Ohlin, countries in which labor is cheap should produce labor-intensive products. It is argued that producing the goods which a country produce at the cheapest cost provide development in countries. Free trade, therefore, contributes to increase the prosperity and help equalizing the prices between countries (Edwards C. , 2015).

Rural countries produce raw materials while the core countries produce and export the manufacture and industrial goods. However, high tariffs and quotas put by the developed countries on the agricultural goods and raw materials from backward societies played an important role in the status of backwardness of underdeveloped countries. That is why industrialized countries profit the most in this international system of trade. Many scholars criticized the Neo-classical approach which claim that development of some part of the world provides development also in other parts.

Developed countries' economies have a greater competitiveness in international trade, therefore the industries of underdeveloped societies are eliminated by those who

have such a big share in the free market. This situation leads underdeveloped countries to a fully dependent situation in the market under these conditions.

David Ricardo claims that natural resources, climate conditions and development strategies in a country determine the products which the country should produce to have comparative advantage. However, comparative advantage theory has some contradictions in itself, Andre Gunder Frank argues (Frank, 1981a). Because the value of the resources of any country is determined by the core countries, this comparative advantage works only for the sake of the developed countries. The social structure and relations of production are determined by the resources, and this situation makes possible the satellite countries to be exploited by the metropolis.

Therefore, it is very much fair to claim that exploitation of the underdeveloped societies by the developed countries is the roots of the world capitalist system. The times when the most important industrial development took place in backward societies are periods of the weakest dependency with metropolitan countries.

In order to keep the economies of the backward countries under control, developed countries use the important economic organizations and capital in the underdeveloped societies. The efforts of Mexican government and Kenyan government to nationalize the economy were attempts to prevent their economies of countries from foreign interventions. However, because of the fact that many domestic companies are in the hands of foreign companies, those attempts were not useful efforts.

Looking at the internal dynamics of the backward societies, landowners and the bourgeois class play important role in shaping the regime. International imperialism and capitalism have strong ties with these classes and in cooperation also with the military class. Because these classes benefit from the status-quo, they are not interested in making profits for the country but only for themselves. In Latin American social structure these classes are composed of the Latifundista class which own the lands and make profit out of the large lands and the labor. It is very much obvious that they do not want to lose these positions which provide a large profit for themselves.

The term 'new dependence' used firstly by Theotonio Dos Santos (1970) refers to shift of investments to different sectors in Latin America. According to Santos, a new international division of labor occurred in the 1960s. Dos Santos claim that the efforts of making the backward societies a part of the international capitalist system by asking them to produce not only raw materials but also more technological products are the reasons creating the backwardness of these countries. Agricultural products and the raw materials for the factories of Europe in which Industrial revolution took place, were provided from the Third World countries in 19<sup>th</sup> century.

Latin American countries provided all tropical agricultural products and precious metals for Europe on which those could not be produced. The economies of backward societies were shaped according to the needs of the industrialized countries. Besides the exploitation of resources there was a very harsh exploitation of labor as well. Lacking of healthy eating and living conditions there were mass deaths among the labors. With the starting of slave trade from Africa to the American continent was because of this condition of Latin American natives not to able to provide the necessary labor force for colonizers.

Ignoring the history of underdeveloped societies is not a way to run from the facts away which was created by the colonizers themselves. Civilizations such as the Inca and the Aztecs show that before the white man took the first step into their lands they were living in very rich conditions and established high civilizations which were destroyed by the colonizers.

The emergence of crises in many economies starting in 1990s was the result of the neoliberal policies which became widespread beginning from the 1970s. Latin American economies faced high inflation, budget deficits and balance of payments problems between 1960 and 1980 with the slowing down of the world economy. This situation led Latin American countries to external borrowing for providing economic stability.

However, it got worse because of high interest rates and short-term credits. In order to overcome the situation which was getting worse Latin American economies abandoned the import substitution industrialization and transformed to the neoliberal economic principles. Through controlling the movements of the working class which was

supporting the import substitution industrialization policies transition to neoliberalism was facilitated by the successive military coups in Latin America. Labor movements were suppressed and workers were under control by violence in many countries such as in Brazil in 1964-1985, in Argentina in 1966-1983, in Bolivia in 1971-1984, in Uruguay in 1973-1985.

During the Cold War, that was the US policy to keep Latin America under control and prevent the economies of the continent from nationalization policies between 1960 and 1980s by successive coups that overthrown the leftist governments in the continent. The state and social classes relations were devastated by the military regimes which was brought to power by the coups supported by the US. Those military regimes started implement neoliberal policies which contain the integration of the national economies to the international economic structure.

In order to overcome the situation of balance of payments problems and economic instability, Latin American economies were opened to foreign trade. It was impossible for Latin American countries to pay their debts and take new loans because of the oil crises in the late 1970s. The oil crises in the 1970s, budget deficits started in 1973 and debt crisis since 1980s made Latin American reform efforts insufficient. By 1982, many private banks went bankrupt in Latin America. The IMF and WB emerged as the only option for Latin American countries, with the cessation of foreign capital flows to Latin American countries. Plans such as the Baker Plan and the Brady Plan were presented by the US as liberation programs to Latin American countries, but these plans, which imposed complete separation of the state from the economy and restrictions on debt management, never produced the expected improvement.

During the 1980s, adaptation policies implemented by the IMF led Latin American countries to make some reforms such as reduction of production and restriction in social spending. However, instability of economy and demand for democracy of social classes created a chaotic environment in Latin American societies. This environment required changes in regimes even for the US to import neoliberalism to the continent. Yet, the Reagan administration in the USA and Thatcher government in Britain served their own

neoliberal interests to Latin American economies. The civil regimes that came to power in Latin America since the 1980s accelerated the transition to neoliberal policies.

Latin America entered a period of coercive and harsh measures implemented by the IMF and the WB after military regimes were replaced by civilian regimes. In 1989, under the name of the Washington Consensus, the WB and IMF imported the prescriptions of neoliberal policies implemented. With the implementation of neoliberal policies, the power of states to regulate their monetary policies has decreased and the economies of Latin American countries have become dependent on free market conditions.

Until the late 1990s, the principles of liberalization of market and capital movements and privatization of public enterprises imposed by the World Bank and IMF in Latin American countries were expected to drive economic growth. Latin American countries that followed the Washington Consensus principles could not achieve the targeted economic growth. Growth rates gradually declined towards the end of the 1990s, especially in Brazil, Chile and Colombia. The average growth rate in Latin America decreased to 0.3% by the 1999. In the 1990s, many Latin American countries were shaken by economic crises and their effects soon spread to the whole continent. The principles of the Washington Consensus began to be criticized by the "Tequila Crisis" in Mexico in 1994. The crisis, which emerged with the escape of the existing foreign capital in the country, spread to other countries in a short time and the chain of financial crises called the "Tequila effect" was entered. Mexico's foreign exchange reserves dropped from \$ 30 billion to \$ 5 billion, and Mexico became unable to import.

As a result of the measures taken on the basis of the agreement with the IMF; such as taxes were raised in Mexico, public spending was cut, and interest rates were raised to suppress inflation; the country experienced a sudden stop in growth rates and approximately 1 million people lost their jobs after serial bankruptcies.

It is seen that the growth rates in Latin America decreased by half from the 1970s to the 2000s when the growth rates of different regions of the world and Latin America are compared. The 1990s were not seen as disastrous years for economic development, Dani Rodrik argues. Countries such as China and India followed a high level of trade

protectionism, lack of privatization and loose fiscal monetary policies, and as a result of these policies increased or maintained their growth rates unlike the Washington Consensus criteria. However, countries that met the Washington Consensus criteria faced deep economic instability.

The chain of victory of the left governments began in many Latin American countries such as Argentina, Bolivia, Brazil, Nicaragua, Chile and Ecuador, when Hugo Chavez won the Venezuelan elections in 1998. These left governments and leaders gained the support of social movements stemming from the public outcry to the Washington Consensus. Governments have realized that the state is a key actor in development, as opposed to neoliberal policies aimed at pulling the state out of the economic sphere.

After the 2008 Crisis that started in the USA as a result of the neoliberal policies followed and spread all over the world, a process in which belief in the power of the market and opposition to state interventions was abandoned began. Billions of dollars' worth of rescue packages were announced first in the USA, where the economic crisis was experienced, and then in other developed countries. In addition, while economic programs for the crisis were started to be implemented in these countries, while the state provided collateral for bad loans, some of them went to the rescue banks and some of these banks were nationalized in this way.

In addition, the arrangements to be made to regulate the financial markets and stimulate the economy were started to be discussed. These practices to end the crisis or to reduce its negative effects are in stark contrast to neoliberal policies. As a result, the economic crisis spread to the global system with the Mortgage Crisis (2006) that followed the USA and then the Lehman Brothers Crisis. This caused the neoliberal view to collapse in real terms.

However, Latin American countries that confronted the crises of neoliberalism before the United States began to question this at the end of the 1990s. Many countries in Latin America were shaken by economic crises in the 1990s and the effects of these crises soon spread to all of Latin America. Crises have caused the destructive impact of neoliberal policies to be felt more strongly by the working classes, and there have been mass riots

and social upheavals in Latin America. The richest 10% of Latin America has about 45% of its Gross Domestic Product (GDP), as World Bank data show, while the poorest 20% share only 3% of GDP and about 39% of the population lives at the poverty line and 15% lives in the absolute poverty line.

Latin American countries experienced a worse neoliberal tragedy comparing with the developed countries. That's why post-neoliberal and anti-neoliberal policies started to be applied by the left governments which came to the power in Latin American countries during the early 1990s and 2000s. These policies are considered as the beginning of the post-neoliberal period. Oxhorn and Ducantzenzeiler claim that even if these policies are accepted as anti-neoliberal policies the results of these strategies cannot be considered as anti-neoliberalism. Because the main aim of these strategies was to eliminate the negative reflections of neoliberal policies and not to prevent the countries from neoliberalism, these practices could be accepted as post-neoliberal policies.

Post-neoliberal strategies are reactions against the transformation of the planned economy to an excessive market economy. Through proposing a social consensus between the state and the society and offering commercial enterprises working for the public service post-neoliberalism aim to reduce poverty and unemployment while providing social justice. In this sense, post-neoliberalism reintroduce Keynesian economic policies and this can not be perceived as the end of neoliberalism. In order to get rid of the devastating impacts of institutions such as IMF and World Bank, searching for a new integration was attempted by post-neoliberalism. That new integration type was the Buenos Aires Accord which was emerged against the Washington Consensus. More active role of the state in domestic and foreign policies and eliminating the disadvantages of neoliberal policies were recommended by post-neoliberalism.

New political scenarios emerged in the Latin American continent with the 21st century. Renewed political projects, often inspired by central / left ideologies, supported the growing protests against neoliberal economic policies implemented in many countries in the continent. These emerging political forces in many countries reacted and tried to ensure that their social demands were included in the newly developed political programs.

By taking these efforts to the next level, they formed political party organizations and came to power as a result of national elections.

The growth, which took place in the 1990s, remained only slightly above the half of the 1950s, 1960s, 1970s before the crisis and reform process. Even in countries with remarkable growth, the income distribution has made the rich class richer, rather than equal, causing the poor people to become poorer. There has been no significant progress in eliminating income inequality. The number of poor people has increased, as well as their poverty levels (Stiglitz, 2000).

The hypocrisy of globalization is an observable and quite obvious situation. During the 2001 recession, both parties in the US emphasized that financial stimuli are needed to boost the economy. The IMF, on the other hand, forced the developing countries, which are experiencing economic recession and decline, to implement tightening fiscal policies.

Countries that followed the conditions of the Washington Consensus in the transition from communism to the market economy had great disappointments (Stiglitz, 2000, p. 2001). Modern economies are increasingly based on the service sector and knowledge economies. The economy from agriculture to industry is now transitioning from industry to new economy. It is necessary to determine in which areas a country has comparative advantages. However, it will not be easy to identify these areas as they will differ in the new economic order compared to previous periods.

Governments need to make the necessary regulations and also take on a role that includes the provision of public services. The lack of reforms under the Washington Consensus is obvious. Only some sections benefit from the reforms, and reformers continue to say that reforms are successful despite all the opposite evidence. Latin American economies need to find their own way while shaping their economic policies and to shape them in the interests of everyone, not just one segment.

The study of the political economies of developing countries in the last twenty years emphasized the importance of domestic policy. In line with this trend, embryonic study on the relationship between globalization and social policy in developing countries has

argued that the negative relationship between globalization and social spending is due to the characteristics of domestic policy. This research highlights the role of international markets in shaping macroeconomic contexts and interests of domestic actors.

Welfare states continued to grow in countries where exposure to the global economy went hand in hand with economic diversity. However, in most cases, globalization has increased volatility, which makes cyclical social spending difficult (Wibbels, 2006, s. 462). It is important to think carefully about the international constraints that shape domestic politics. Political economic research on developing nations often means that there is a strong relationship between international factors and domestic policy. Investigating the causal links between exposure to the international economy and internal decision making is what globalization researchers at OECD have been doing for the past two decades. However, the temptation to get the explanations developed there and apply them to the developing world can blind researchers to the broader constraints of sharply different relationships with the global economy (Wibbels, 2006, s. 462).

In this thesis, while sharing the historical development of the Dependency theory, its arguments and the ideas of the pioneer theorists, it is aimed to shed light on the political economy of Latin America and to create the necessary intellectual infrastructure to analyze its historical change and provide an idea about its future by interpreting its present.

My main aim was to apply the Dependency theory to the continent and to guide the reading of the political structure of the economy. Using the qualitative and quantitative data as well as the intellectual infrastructure, the dynamics of the political economy of Latin America were determined and as a result of this research, it was issued that Dependency theory was still effective in explaining the political economy of the continent and the dependency situation still prevailed in new ways with new faces in the continent. The dependence of the political economy of Latin America continued with different relations at different times and it was observed that the colonial ghost has not been erased from the continental history and the present day of the continent. Latin America is still a scene where the developed rich West and North powers continue to

exploit - although their methods have differentiated in the historical process - but this dependent situation will be eliminated in the future with the development of social consciousness and movements.

With the collapse of the unipolar world order and the rise of regional powers, American hegemony has changed shape and new dependency relations have emerged. China's place in the world economy and the commercial relations it has established in every continent of the world and regional integrations that challenge American hegemony have created new dependencies and have been the factors that shaped the second decade of the 21st century. For this reason, the issue of explaining the political economy of Latin America with the dependency theory, which is the subject of this thesis, was discussed until the second decade of the 2000s. New hegemonies and new dependencies that develop with it will be the subject of future research and will reach new results in the analysis of dependency relationships. All dependency relations that have been established, are being established and will be established have damaged and will damage the continental economy, most of all the poor part of society that has to live in the most difficult conditions, all social relations and social structure, and the most basic standards of human living conditions.

Until the second decade of the 21st century, there was a period when the continent was at its highest level of dependency relations due to neoliberal policies, almost as much as in the colonial period, when American hegemony exploited the continent in many different and new ways and tried many ways to consolidate dependency relations. After the examined process within the scope of this thesis, dependency relations and the dynamics of the Latin American political economy will be the subject of further research. Hegemony, dependency relations, imperialism and underdeveloped economies have been studied specifically in Latin American political economy and will continue to be studied.

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