

Worlds Systems Analysis Revisited:

The BRICs and Shifting Global Centers

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Abstract

World Systems Analysis is a methodological tradition that examines the global system through long historical and sociological investigation, ultimately positing the hierarchical interrelation of all states in the capitalist world economy. This paper will attempt to supply a revisionary critique to World Systems Analysis by specifically critiquing the concepts of state hierarchies enshrined in core and peripheral distinctions. The paper will make the following three conceptual points. Firstly, the critique regarding core-peripheral distinctions will attempt to show how the suppositions of designating states into a hierarchical order within the conventional theory is not the best way to account for real differences in influence, size, and material power in the interstate system. Secondly, the increasingly dispersed regional diffusion of power leads to the conception of the centralizing tendency of powerful states within networks of overlapping dependencies. The third step argues for a renewed sense of underlying co-dependency of states as thereby highlighting how the competitive capture of capital flows is a better understanding of power. The dynamics of class interests and the logic of the system would thereby suggest that high development does not necessarily mean power or greater significance in the system, but rather the state with a better ability to attract and capture capital, to be nexus for the dynamics of the system, would be a better account of 'core'. The use of the BRICS—Brazil, Russia, India, and China—as case studies will be to elaborate on the empirical conditions in which this conceptual critique can contribute to a more developed understanding of the world system within the methodological framework of World Systems Analysis.

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Introduction

Theories can be meddlesome creatures, making satisfying facts overly convoluted, blowing up trivialities or shrinking truths. But one should hope this only applies to bad ones. Otherwise, they are guides to navigate through the overwhelming complexity of that which is meant to be studied. Macro-theories are often viewed suspiciously in favour of compartmentalization or more modest analysis of micro phenomena. But a theory which can synthesize particularity with generality, which can thematize the structures of the social and political world, is well worth the danger of hubris. World Systems Analysis is one such theoretical enterprise. Developed in the 1970s by Immanuel Wallerstein and continued by numerous researchers such as Gorgio Arrighi, Chase-Dunn, Andre Guner-Frank and many others, it is a theoretical prism by which to understand and explain long term sociological, economic, and political change which takes its unit of analysis to be world-systems as totalities. But just as any good theory can help better frame what we investigate, in a dynamically changing world they need to be continually updated if they are to have any meaning.

This thesis will attempt to offer a theoretical revision World Systems Analysis arguing for a more modern refinement in order to better take account of the twenty-first century as we see it today, specifically focusing on the logic of the international system as a hierarchical order governed the accumulation of capital within the capitalist world economy.

The proposed revision will be structured as such. First, the conceptual definition of the three tiered hierarchy of core, semi-periphery, and periphery states will be problematized by arguing for a redefinition of the criteria for core-ness. The aim is to uncover the presuppositions which structure this conceptual organization and show how they are inappropriate for the conditions of the twenty-first century capitalist world system. The second movement is to argue

for a shift away from the geographically specific, one directional flowing exploitation, towards a more diffused regionalism, in which power is spread across a wider range of actors. It is specifically aimed at revising the structure of power as advanced by the conventional theory, centred on Western Europe and the United States. The third step in the revisionary critique will argue for interdependence as nullifying many of the claims for asymmetrical power relationships. These claims will be treated by examining the case studies of Brazil, Russia, India, and China. The conventional claims of Worlds Systems Analysis are that these four countries are semi-peripheral states and as such occupy intermediary positions in the global hierarchy of states. These cases serve to frame the theoretical claims made by this argument, to search for any empirical manifestations.

The first chapter of this paper will explicate World Systems Analysis, detailing what are the essential concepts. The second chapter will offer conceptual revisions or problematize these essential concepts. The third chapter will examine the BRIC countries within the context of economic and political power in their regions. The objective of this section is not to ‘prove’ anything, ex. not to prove China is now a new global hegemon, or India as an uncanny model for the critique. Rather it is meant to identify key aspects of the cases that emphasize their problematic position or ambiguous relationships within the world system and where the critique can apply.

In terms of methodology, this paper will be concerned with theory explication and criticism, using the case studies of the BRIC countries in order to inform theory interpretation. Firstly, this paper will not attempt to “prove” that these countries are re-writing the global system using an in-depth historical and economic investigation. The economic conditions of these countries will be taken more or less as given (i.e. their relative size, mode of production, regional status,

and strengths or weaknesses, GDP, industrialization etc.) according to the relevant data and literature. Secondly, building from the previous assumption, the paper will give a cursory overview of the respective countries embeddedness in the global system. This will include trade/political treaties, participation in international institutions, and a parsimonious interpretation of the economic data. Again, the point of the case studies is not to prove a reorientation of the global system, but rather to offer the possibility as such. Thirdly, building from this overview, a conceptual critique is necessary in order to properly situate World Systems Theory in terms of what it can and cannot explicate, where these cases cannot be swallowed into the totalizing analysis of the theory.

The case study selection is justified here for several reasons. Firstly, the World Theory itself emphasizes analysis of totalities and not discrete units. Klotz makes the relevant point regarding empirical conditions conflicting with theoretical or conceptual expectations as a justification for the use of single case studies.¹ This would suggest the restriction of the case studies to a single one, China for instance, may serve as a better ground for critique than the four. Yet a constructive revision should focus on the self-asserted conditions of the theory and show how its explanatory scope is limited rather than using units of analysis that are distinctly at odds with it. A single case study may not be appropriate here because it is relationships and broader developments in a global totality that are stressed by the theory rather than discrete units.

Secondly, the range of four case studies offers an interesting array of interpretive findings. These four countries have vastly different positions in regards to economic size and development, success at extending influence (China and the ‘New Silk Road’ or Russia and the

¹ Audie Klotz *Qualitative Methods in International Relations: A Pluralist Guide*, (Basingstoke: Palgrave Macmillan, 2008); 51

Eurasian Economic Community), as well as regional relationships among their own peripheries. There are thus many positions one can chart using these cases and many different interpretations one can distil in order to push for a theoretical revision. Rueschemeyer has cautioned against intensive small case research when considering theoretical contributions, asserting that cross-case analyses are critical for understanding variations in macro phenomena.² The intention is to examine difference.

Thirdly, one should be careful regarding case selection bias, keeping Geddes in mind. His example of Theda Skocpol's book *States and Social Revolutions*, in which she used the most famous revolutions as case studies to analyse famous revolutions with only a relatively narrow selection of variables, is pertinent here.³ The selection of the four case studies is an attempt to link a theme, that of emerging power and their regional influence, across a wide range of particular cases. This is meant to provide as many differing problems for the theory as possible in order to properly interrogate where it fails to synthesis particular cases into its totalizing analysis.

Some pitfalls that may limit the effectiveness of this approach revolve around the concern that “studies that achieve greater generality could be seen as doing so at the cost of parsimony, accuracy, and causality”⁴. The amount of information needed to properly due justice to four different cases is enormous and exceeds that of the thesis. However, it should be remembered that the intention is to showcase problems for the theory not investigate the real conditions of

² Dietrich Rueschemeyer “Can one or a few cases yield theoretical gains?” in *Comparative Historical Analysis in the Social Sciences*, ed. J. Mahoney and D. Rueschemeyer (Cambridge: Cambridge University Press, 2003) ; 322

³ Barbara Geddes “How the Cases you choose affect the answers you get: Selection Bias in Comparative Politics”, *Political Analysis* 2(1) (1990); 143

⁴ D. Collier and J. Mahoney. “Insights and Pitfalls: Selection Bias in Qualitative Research”, *World Politics*, 49 no 1 (1996); 68

these cases or gather data for a new theory or conclusion. The cases are meant to illustrate where theory and reality can conflict and as such will remain parsimonious in their treatment.

As mentioned earlier, the main contribution of this thesis will be to further elaborate possible limitations or shortcoming of the World Systems Analysis and suggest the possibility of a revision or wider application to global systems in International Relations. The goal will be to sharpen the theory as a method of analysis, highlight areas of improvement, and in general contribute to the discussion with a reorientation towards the lesser discussed studies of rising powers in the global system. This research goal is in part guided by the criticism that economic analysis gives no systemic clues as to the relationship between economic position in the world economy, geopolitical position and the emergence of semi peripheral politics⁵. Precisely this ambiguous positionality and non-core politics of the BRICs is the key guiding thread along which the analysis will follow.

⁵ Malcolm Alexander and John Gow, "Immanuel Wallerstein", in *Social Theory: A Guide to Central Thinkers*, ed. P. Beilharz, (Sydney: Allen and Unwin, 1991); 220

Chapter 1: Concepts and Theory

Wallerstein, when discussing his methodological choices says, “the choice of the ‘unit of analysis’ was crucial, and that the only plausible unit of analysis was a ‘world-system’, or more generally, an ‘historical social system’ ... The second intellectual decision was to discard the so-called Methodenstreit that undergirded and divided all of modern social science—that between idiographic humanist and nomothetic science.”⁶ This decision to combine historical investigations of long processes, inspired by Fernand Braudel’s *long durée*, and a more Marxist inspired sociology of class relationships, exploitation, and capital accumulation, is undergirded by his push for a more holistic social science. He remarks, “the problem with this neat division [history/sociology] of intellectual labour is that it presumes the possibility of isolating ‘sequences’ subject to ‘historical’ analysis and small ‘universes’ subject to social scientific analysis”⁷, and opens up the problem of attempting to partition interpretations of social life in thematically different component parts. From an epistemological perspective, World Systems Analysis is consciously meant to confront the spurious disciplinary division of anthropology, economics, political science, and sociology.⁸ As such, systems as units of analysis and the capitalist world system as given ultimate significance beginning with *The Modern World System I*, were not chosen simply to provide greater breadth or generality within which to conduct research, but are directly linked to a particular methodological outlook, that of the investigation in the structure of a human totality. This focus on totalities, in which all those within are shaped materially by the flows of exchange, capital, and development, and intellectually by the flows of

⁶ Immanuel Wallerstein, *The Essential Wallerstein* (New York: The New Press, 2000); xvii

⁷ Immanuel Wallerstein, “World Systems Analysis” in *The Essential Wallerstein*, (New York: The New Press, 2000); 135-6

⁸ Ibid, 133

information and conflict of ideologies, is a theoretical structuring of the relationship between particularity and generality in human societies, governed by essential capitalist mechanisms.

The first definitive feature of the capitalist world economy is the axial division of labour. The core/periphery state division is one born from industrialized production in an unequal relationship. In *The Modern World System I*, Wallerstein sets the first emergence of this capitalistic system in Europe in the 1600s as necessarily predicated on the development of the core countries, England, France, and the Netherlands, in which the systemic division of labour and production extends towards Poland and Eastern Europe in general. The production of large scale wheat in Poland and Eastern European states and subsequent inter-state trade of wheat and textiles, colonial goods, and later industrial products were key features of the British development of an industrial base in the 1600s, all the while impoverishing peripheral states who simply provided raw materials or basic products in an unequal change for high-quality commodities. The conceptualization of the division of the world economy between core (high value added) and periphery (low value added) zones of production is the first, and most important, step.⁹ This division of commodity chains, production, and labour across states rather than within them establishes the unequal exchanges of core/peripheral states in an ever developing system. The global economy was built not through expansion or enlargement of one area but the “development of productive forces in Europe...was initiated primarily through the transformation of the trade of surpluses between distance points into a true division of labour with integrated production processes cross-cutting political jurisdictions, and that the state level

⁹ Ben Selwyn, “Beyond firm-centrism: re-integrating labour and capitalism into global commodity chain analysis” *Journal of Economic Geography* 12 (2012); 207

and local processes ensured there from.”¹⁰ This cross-territoriality, and later the inter-state system as we understand it, is primarily driven by the opening of substantial markets for commodities and zones of large pools of workers ready to accept low-paid waged employment because the real income that resulted was higher than such newly employed waged workers had previously obtained in their rural locale.¹¹ The core necessarily requires the periphery to offset costs of production (raw materials, large scale production of staples) while also needing their zones to remain as markets they themselves support and exploit through this axial division of labour.

Wallerstein uses this first primary concept for several reasons. Firstly, he identifies the inter-state division of labour as the primary mechanism throughout the past five hundred years in identifying the ‘rise’ of certain states and the simultaneous stagnation or decline of others. As such, this concept retains an explanatory power that cross cuts given contexts to establish a larger generalized rationality of the system. Secondly, a chief advantage is a better idea of the totality of relationships than simple inputs and outputs.¹² Systems are totalities, “largely self-contained and the dynamics of its developments are largely internal.”¹³ Certainly, he recognizes that in the early period there were ‘externals’, Russia for instance, who are outside the system in that they do not take part of this large division of labour and production. But over enough time Russia was eventually integrated into this system precisely through building trade links, fostering production within its territory oriented towards this interrelated system, and compelled to be placed in a position of unequal exchange to the benefit of the core.

¹⁰ Immanuel Wallerstein and Terence K. Hopkins, “Commodity Chains in the World-Economy prior to 1800”, in *The Essential Wallerstein*, 222

¹¹ Immanuel Wallerstein, *European Universalism: The Rhetoric of Power*, (New York: The New Press, 2006); 56

¹² Wallerstein and Hopkins, “Commodity Chains in the World-Economy prior to 1800”, 223

¹³ Immanuel Wallerstein, *The Modern World-System I: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*, (San Diego: Academic Press, 1974); 347

The second essential concept of the capitalist world system is the endless accumulation of capital. This involves not only appropriation of the surplus value by an owner from a labourer, but an appropriation of surplus of the whole world-economy by core areas.¹⁴ Endless accumulation of capital from surplus production, both towards the benefit of the powerful core at the expense of the periphery, and the powerful class within the state, is the main motor of reproducing power within this totalized international system. These two essential concepts leave us with three organizing propositions of the capitalist world economy;

- 1) It consists (metaphorically) of a single market within which calculations of maximum profitability are made and which therefore determine over some long run the amount of productive activity, the degree of specialization, the modes of payment for labour, goods and services, and the utility of technological invention.
- 2) There are a series of state structures, of varying degrees of strength that distort the 'free' workings for the profit for specific groups.
- 3) There are three tiers of exploitation in the appropriation of surplus labour within which is constant tension and ascending/descending movement¹⁵

Far from being a system of free competition of all participants, the market is a system in which competition becomes relatively free only when the economic advantage of upper strata is so clear-cut that the unconstrained portion of the market serves effectively to reinforce the existing system of stratification.¹⁶ State machinery act in the interests of expanding accumulation of capital by the creation of an unfree, unequal market through instilling legal orders or relative

¹⁴ Immanuel Wallerstein, "Rise and Future Demise of the capitalist system" in *The Capitalist World Economy: Essays by Immanuel Wallerstein*, (Cambridge: Cambridge University Press, 1979); 18-19

¹⁵ Wallerstein, "Class Formation in the Capitalist World Economy" in *The Essential Wallerstein*, 315-6

¹⁶ Wallerstein, *The Capitalist World Economy: Essays by Immanuel Wallerstein*, 66

monopolies, helping to externalize costs, enact tariffs and favourable trade deals, inhibit the growth of workers action within the territory, and themselves are huge customers for high price goods.¹⁷ Wallerstein makes it clear that real profit, the kind that permits a serious accumulation of capital, is possible only with relative monopolies, and that these monopolies are not possible without the state. Capitalism is a system characterized by ‘relentless and systematic development of the productive forces’ because it is ‘a system of social property relations in which economic units – unlike those in previous historical epochs – must depend on the market for everything they need and are unable to secure income by extra-economic coercion.’¹⁸

One key problem of a core country in this era is to find adequate markets for its production. Another is to encourage a deepening of the international division of labour.¹⁹ The development of capitalism since the 1600s had allowed the greater entrenchment of state power through bureaucratization; however, this required substantial financial resources and an acceptance by capitalist classes of state interference. As such, unequal exchange of production and the resulting accumulation of capital and the development of more powerful states with more expansive apparatuses go hand in hand. Whether through Dutch, English, or French chartered companies, mercantilism as the official practice and ideology of colonial states, or the ‘opening’ of China, Japan, and other previously external states, the expansion of the capitalist system required both entrepreneurial and state coordination.

Proceeding from this, the creation of the core, semi-periphery, and periphery three tiered conceptual schema arises directly out of these two characteristics of the capitalist world system.

¹⁷ Immanuel Wallerstein, *The End of the World as we Know it: Social Science for the Twenty-First Century*, (Minnesota: University of Minnesota Press 1999), 63-5

¹⁸ Robert Brenner, “The economics of global turbulence.” *New Left Review*, 229: (1998) 10

¹⁹ Wallerstein, *The Capitalist World Economy: Essays by Immanuel Wallerstein*, 115

Commodity chains, as the “extended social division of labour which...has become more functionally and geographical extensive, and simultaneously more and more hierarchical”, rely upon unequal exchange between differing states.²⁰ The erroneous division of politics and economics obscures how commodity chains, through the establishment of differing zones of production, create price and value differentials for products moving across zones. Such a relationship is that of core-periphery, the ‘gaining’ zone as core and ‘losing’ zone as periphery.²¹ The “opacity of the distribution of the surplus-value in a long commodity chain is the most effective way to minimize political opposition, because it obscures the reality and the causes of the acute polarization of distribution”, and it is this polarization of states in differing core/periphery relationships that structure the international system.²² The semi-periphery, as a gray area category, is both exploiter and exploited, is caught in a position in which upswings or downturns may send it in the other two organization categories. It is important to understand that while status is relative, unlike modernization theory there is no ‘progress’ that can explain differing positions of developing or developed states. “We do not live in a modernizing world but in a capital world”²³, and what this means is that any rise comes at the expense of others. Recall, the system functions through exploitation of surplus within the totalized system, and any increase in the power of one state is necessarily correlated with the decrease of another.²⁴ This three tiered schema is thus meant to encapsulate a geographically linked system of capitalist

²⁰ Immanuel Wallerstein, *Historical Capitalism with Capitalist Civilization*, (London:Verso, 1983); 30

²¹ Ibid, 31-2

²² Wallerstein, *The End of the World as we Know it: Social Science for the Twenty-First Century*, 57-8

²³ Wallerstein, “Modernization: requiescat in pace” in *The Capitalist World Economy: Essays by Immanuel Wallerstein* ;133

²⁴ Wallerstein, “Semiperipheral countries and the contemporary world crisis” in *The Capitalist World Economy: Essays by Immanuel Wallerstein*; 101

exploitation through the drive for competitive accumulation of capital that overlaps with real state power and sovereignty.

The progression of this historical system is one that creates hierarchies between states and class stratification within states. Wallerstein emphasizes the creation and development of social hierarchies and economic classes as overlapping phenomena that nonetheless are formed- to bargain in the short run, and to seize state power in the long run- and then disintegrate by virtue of their success. But they are reformed dialectically in the development of the capitalist-world system.²⁵ As the inter-state is one of dialectic growth through history, the continuous re-eruption of the class struggle is dialectical and not cyclical. The conflict within societies over capturing state machinery transforms the system insofar as states advance class interests. This is an interesting feature of Wallerstein's theory, one that will be developed further in section II; if classes have significance in their relation to the state, and following this logic one would assert that the significant unit of analysis is thereby individual states. However, if classes have significance and establish relations beyond the individual state, this is entirely another beast altogether. Unlike Marxists, who develop class in an international context, Wallerstein is interested in 'national' classes or class in relation to individual state, a mediating point between particular society groups and the system as a totality. This is a vulnerable point, especially considering the assertion that the capitalist world economy as a totality is the arena of social action.²⁶

Finally, the drive for endless accumulation of capital takes place within the historical system in what Wallerstein organizes as waves or periods of expansion and contraction in the

²⁵ Wallerstein, "Class Formation in the Capitalist World Economy" in *The Essential Wallerstein*, 319

²⁶ Ibid, 321

growth and development of capitalist competition. This schema is essential for the theory insofar as they are the expression of the fundamental contradictions of the capitalist system, the main driving forces the rise and decline of states, conflict within the interstate system, and the real and ideal functioning of the system itself.

Yet there are significant essential problems within the capitalist system. Firstly, de-ruralization signifies the end of a previously inexhaustible reservoir of cheap labour that is integral for competitive production within the system. Secondly, the ever mounting social costs of enterprises externalizing cost (i.e. ecological devastation and exhaustion of resources). And thirdly democratization, namely popular demands are for social justice or social securities that becoming ever more expensive for state machinery to appropriately guarantee.²⁷ From a world-systems perspective, signs of economic contraction (e.g., falling rates of profit, rise of unemployment) are indicators of a deteriorating structural crisis within the world economy.²⁸ This thesis will specifically engage with democratization and the rising costs of governance.

Thus the guiding concepts which the critique will focus on are as follows. The endless accumulation of capital through the opening and exploiting of ever cheaper forms of labour and ever greater forms of productivity is the drive underpinning the capitalist world system. Surplus capital is in a constant state of competitive generation by firms or entrepreneurial actors. The flows of surplus capital must in turn captured by the state, through taxation or other forms, if it is to have any power in the competition in the interstate system. Because this competition creates winner and losers in the production commodity chain, the totalized international system is

²⁷ Wallerstein, *The End of the World as we Know it: Social Science for the Twenty-First Century*, 130-1

²⁸ Zhifan Luo, "Intrastate Dynamics in the Context of Hegemonic Decline: A Case Study of China's Arms Transfer Regime", *Journal of World Systems Research*, 23 no 1, (2017); 38

inescapably unequal and hierarchically organized. The market is the fundamental space in which products are sold, in which states and their place in the international division of labour are born out of. Thus the core, semi-periphery, and periphery is the hierarchical ordering of the interstate system, fundamentally organized around the division of labour and production of commodities. The second chapter will develop these concepts and attempt to offer a revisionary critique, one that takes on much of the logic of the concepts but argues that the logic does not necessarily arrive at an international state system in the twenty-first century as envisioned by the conventional theory.

Chapter 2: Revisionary Critique

2.1: How to define a core and what is the significance of this designation in the political realm? What is totality as a unit of measurement?

The guiding problem is this; the conventional theory would suggest that Italy, as a more highly developed country per capita, with a higher position in the division of labour, holds a greater significance as a core country than say India or China. India and China are both per capita less developed and poorer, yet when one compares the sheer size and furious growth rate of these two to the anemia growth rate in Italy over the past decade, high debt vs GDP, and economic and political malaise, one feels somewhat dissatisfied with this conclusion. The designation of a state as a core state explicitly gives weight and significance to its role in the hierarchical interstate system. Both in terms of geographical spatiality and it in terms of integrality, a core state is one which benefits from the system as such and holds a higher place in the decision making, whether through consensus in the international order, or through power as force or coercion. Yet under the standard core definition, the countries powering the global economy are relegated to a lower status that patently does not reflect their real heft, both economically and politically in shaping the agenda of the international order.

The argument of the first revisionary step will be to challenge ‘coreness’ as axial, as the stationary pivot of the system, as the defining quality of the international system and rather to suggest that of network and relationship. Wallerstein does view core-periphery relations as a relationship between actors both of which are integrated into the system, but this positionality is more one-directional in which flows are overwhelming towards one geographical area. This

conception is flawed. To interpret these relational exchanges so axially misses the fundamental thrust of his argument regarding competition of capital. One's gain is another's loss across the system, but proximity and groups retain levels of 'stickiness' that frustrate simple axial relations. The development of neo-liberalism, the expansion of capitalistic industrial production into the periphery, and inclusion of these peripheral states into larger international agreements can be taken to signify a greater diffusion of power away from the axial directionality, even if it still means some semblance of hierarchy. Organizations such as the WTO, ASEAN, or RCEP are signifying examples of the integration of peripheral states in which competition is not necessarily biased towards the benefit of the core. The wider point of this revision would be to look at exploitation, certainly remaining an inherent quality of the conduct of states, but a more 'equitable' exploitation in which a core is not simply higher GDP development and concentration of capital, but the real network of relationships between states comprising a sense of significance or necessity in maintaining these relationships. Key examples might be Russia's development projects throughout Central Asia, China as a massive energy market for Middle Eastern states, or India as one of the largest exporters of IT services and recipient of highly profitable capital investment.

The question of totality is problematic here. On the one hand, Wallerstein examines states as discrete units within the broader 'unit of analysis' that is the totalized system in which they are component parts. Overspilling, overflowing, flattening movements such as the flight of capital, growth of trade, migratory patterns, or linkages of commodity production are thus examined universally within as components throughout the system, but through the lens of discrete units that states. This plays into W.S.A.'s specific epistemological/methodological choices, but whereas this may have been appropriate in the early modern era in which production

was localized and particularized to specific areas, in the present era in which so much of productive relations are diffused throughout the system, this is troublesome. Firstly, if the assertion of class interests within the discrete country is centred on material interests, who in turn are governed by the accumulation of capital, then there is the contradiction of localized interest split from the actual internationalization of the productive processes. If the system is totalized, then why focus on states as discrete units when so much of the system is interrelated. We can advance here the concepts of capital flows, the transnational class, or real trade flows as better subjects of study.

If we hold to the proposition that economic development emerges from whatever absolute, comparative or competitive advantages a country may have, and that the global economy is a totality in which flows of material products and information is mediated by actors within it, then the state/country as the sole possible category of core is problematic.²⁹ Related to this is research conducted on global cities. Brown et al argue that “the underlying supposition that national states are the spatial actors controlling the global economy is indefensible, while the spatiality of trade is of course far more complex than only ‘one step’ trade between producers in one country and consumers in another.”³⁰ Cities as mediators of production, capital, and information serve a far more significant purpose than World Systems Analysis often neglects. Brown et al continue,

“Every world city is a service node in and for a myriad of chains, thereby obtaining its overall centrality. Our argument is that it is service intermediaries, the so-called producer services, located in world cities that maintain the connections between the networks of world cities and commodity chains. The innovation here is the assertion that service intermediaries,

²⁹ Ed Brown, Ben Derudder, Christof Parnreiter, Wim Peliessy, Peter J Taylor, and Frank Witlox, “World City Networks and Global Commodity Chains: towards a world-systems’ integration” *Global Networks* 10, no 1 (2010) 17

³⁰ Ibid

which provide the connectivity within urban networks, are also of particular significance for the efficient functioning of Global Commodity Chains because they offer key inputs”³¹

The structure of the real flows of the capitalist economy are diffused both internationally and within the state itself, often directly bypassing territorial borders towards the integration within the region or global system.

The development of interior and exterior markets and production is of critical importance in order to establish coordinated chains of production, maximize market access, and reproduce areas of exploitation. Coreness, under the revision, would focus more on the sheer size of the economy and reciprocal availability of capital for appropriation by the state and capitalists both foreign and domestic. The weightiness would thus be oriented away from higher levels of development one would associate with France or Italy as a core country towards the reproduction of peripheries and cores within a given state. The larger this interior reflection of core-periphery relationship the greater weight of the country-state as a whole insofar as it means the greater the nexus of potential exploitation and therefore capturable profits by both domestic and foreign actors, and this revision would thus emphasize a dimension World Systems Analysis often does not account for.

This argument is inspired by the sometimes ambiguous relationship between interior developments versus export development in the growth of an economic base. Babones compares Russia to the ascension of Japan as a core state. Post-war Japan rose into the core of the world-economy through intensive internal development based on extraordinarily high investment rates, and cites the “overwhelming evidence for the hypothesis that growth in these years was

³¹ Ibid, 23

propelled by internal forces," not production for export. Japan as a country invested in its own technology, its own infrastructure, and most of all, its own people.³² Russia, as however plagued by their own elites would have to forgo the opportunity to exploit their fellow citizens in order to develop, and it is not in the rational interests of those elites to do so.³³ This analysis of class exploitation is ambiguous. At times the dynamics of elite exploitation further development through mercantilism, colonialism, or the suppression of wage and labour movements, and it is this that pushes semi-peripheral state into core positions. At other times, elites' benevolence is the deciding factor in the leap to core-ness. Often this analysis suggests pure contingency in the historical and geographical development of cores. This in and of itself is unproblematic, but given the technological changes in the twenty-first century, the system as totality in which information, technology, and material products flow with astounding ease, it is difficult to justify status through contingency. The addition of greater depth to the discrete state unit, the necessary development of large domestic markets through the reproduction of core-periphery within states, and ease of access within the capitalist totality, undermine the standard view of dependency as one directional towards interrelated networks in which asymmetrical power is harder to justify.

Dependency, especially resource dependency, in the production and reproduction of commodity chains and capital investment, relies upon the logic of the capitalist system and the endless accumulation of capital and opens an analytic area beyond simple development as a functional concept for core status. Dependency relationship argues for more multi-actor linkages. Given international competition for the accumulation of capital and thereby economic growth, supply of resources and production, whether high or low, would involve Western developed

³² Salvatore J. Babones, "A Structuralist Approach to the Economic Trajectories of Russia and the Countries of East-Central Europe since 1900", *Geopolitics* 18 no.3 (2013); 531

³³ *Ibid*, 522

nations, the conventional core, in these linkages with lower developed countries in which qualitatively hierarchies are blurred and the system flows of trade, capital, and production are the subject of the system rather than individual nation-states. In part this revision aligns with network studies which conceptualize the world-system in a way that is quite unique and that differs from world-system analysis in some respects. Where world-systems analysis focuses on the type of production process in defining countries' position in the international division of labour and the world-system, systems network analysis defines power and dependency by the patterns of power/dependency relations between countries, thus by partner dependency.³⁴ This strand considers how resources and production actually relate among actors within the system tied to political power, not simply assuming casual links between hierarchy of population and state power. Although resources certainly can be sources of power, power also depends on how these resources are used. Systemic power is fundamentally a relational process, in which resources are used to create dependencies. The network approach to power and prominence stresses not only the relational aspect of power but also the fact that each power relation is embedded in a structure of power relations.³⁵

All this leads to the broader idea of regionalism as a logic step in the dispersal of capital throughout networks within the capitalist totality. At its most basic the concept of regionalism refers to the conscious bringing together of different states and societies underpinned by a perceived need to pool resources and face external challenges collectively.³⁶ Regionalism, as technology and real material wealth increases, disperses power throughout the system into key

³⁴ Lindsay Marie Jacobs and Ronan von Rossem, "The Rising Powers and Globalization: Structural Change to the Global System Between 1965 and 2005", *Journal of World Systems Research* 22 no 2 (2016); 377

³⁵ Ibid, 376

³⁶ Matthew Louis Bishop, Peter Clegg & Rosemarijn Hoeft, "Hemispheric reconfigurations in Northern Amazonia: the 'Three Guianas' amid regional change and Brazilian hegemony", *Third World Quarterly* 38 no 2 (2017); 358

players. Paradoxically, as the world becomes more globalized the absolute collection of power into one core area is negated as several cores develop, many of which frustrate Wallerstein's definition. What often sustains this centralizing movement is resource extraction, trade, or opening up new divisions of labour where it is more cost-effective. We must now consider how population integration into the division of labour can be expanded upon within this concept of regionalism.

2.2 How to integrate and mobilize populations for the accumulation of capital.

Essential to the accumulation of capital is that a large reserve of labour that can support production without infringing profitability. Migration is frequently referred to by Wallerstein as both an essential mechanism for the development of the economic conditions of production as well as a signifier for core-ness. Moving beyond the simple reproduction of capital, the expansion of the state into the control of populations lends crucial significance to the composition of state populations whether among low skill labours or high finance capitalists or quite simply the sheer numbers contained within. This is in part one aspect of the growth of the capitalistic state vis-à-vis the regulation of demand. A powerful state, one which can afford the necessary machinery to project power, is one that requires enormous reserves of population both take part in the production process of an advanced economy but all the more so in order to provide the demand for these very same products. A necessary aspect of capitalistic state is hierarchies of populations, whether divided ethnically or between natives and foreigners, and the relation of migration flows from South to North is an integral part in the reproduction and consolidation of these core states in the North.

Leonard Helland in “What Goes Around Comes Around: From the Coloniality of Power to the Crisis of Civilization” provides an interesting focal point for this discussion. He argues that dominant discourses spread through “diffusionist” processes (often with complicity from not-so-“postcolonial” elites) propagating standardized hegemonic models and reproducing the expectation that peripheral subjects ought to emulate and “catch up” with core.³⁷ The renewed focus on coloniality, the reproduction of forms of knowledge and conduct, overlaps with the reproduction of economics epitomized by neo-liberal economic theory. This teases out a key point of World Systems Analysis, that ideology and material economic conditions go hand in hand. Thus, peripheral and semi-peripheral countries have two roads to “development:” (1) play the catch-up game based on Northern rules (e.g., those imposed via the global financial institutions); or (2) play the “true” catch-up game by replicating the colonial/imperial behavior underpinning the North’s rise to core-status.³⁸ Emerging economies must resort to internal colonialism and “subimperialism” or “second degree imperialism” so as to compel into subservience their own peripheries as sources of exploitable natural and human “resources.”³⁹ The BRICs turn to either regional sub-imperialism (e.g., Brazil in the Andes, Russia in Eastern Europe and the Caucasus, China in Africa, Tibet, Inner Mongolia, South China Sea) and/or to domestic internal-colonialism (e.g., China in Uygur territory, India in adivasi lands, or Brazil in the Amazon).⁴⁰

The pressures for this reproduction of coloniality revolve around the structure of the world-system, “in which core economies and semi-peripheries (1) depend on natural resources and

³⁷Leonard E. Figueroa Helland, “What Goes Around Comes Around: From the Coloniality of Power to the Crisis of Civilization”, *Journal of World Systems Research* 22, no 2 (2016); 446

³⁸Ibid, 447

³⁹Ibid, 434

⁴⁰ Ibid, 448

labour from peripheries; (2) core-economies depend on peripheries and semi-peripheries for high-intensity/low-wage labor and low cost natural resources; and (3) peripheral and semi-peripheral economies depend on cores for capital (credit, investments) and manufactured commodities.⁴¹ The path-dependence of core-peripheral inequality in turn pressures core states to prevent the rise of others. However, as has been argued, this axial dependency is not necessarily the only interpretation. Dependency does not always mean simple relations. As Salvatore Babones argues, the distinguishing feature of incorporation of a periphery into a world-system is not the importance of that periphery to the division of labor of the core but the impact on the periphery of events in the core.⁴² The push for the reproduction of coloniality upon population is not absolutely for the sake of domination but rather because of intra-systemic competition. The conquest of capital is the objective and whichever state can secure the population, potential growth and productivity, stands to gain in the medium-long term.

2.3 Transnational corporations and the capture of capital.

In line with the discussion regarding interstate relationships within a totalized system, multinational corporations as embodying systemic capitalist production need to be considered. According to Wallerstein's theory, corporations are in fact losing power in relation to the state. Yet given the immense sizes of these multinational corporations functioning as interstate links, it is flippant to dismiss them as irrelevant. Wallerstein often analyzes the state and firms as functioning in a reciprocal relationship, although the exact classification is often ambiguous. Suffice it to say that the emphasis is on the state as aiding firms to achieve complete or relative

⁴¹ Ibid, 446

⁴² Salvatore Babones, "What is world-systems analysis? Distinguishing theory from perspective" *Thesis Eleven* 127 no 1 (2015); 11

monopolies in production and capital accumulation, and firms provide the material basis for the functioning of governance through the taxation of surplus capital. Yet there are several problems with this dual relationship. For one, transnational corporations within a globalized world push beyond territorialized state authority. A transnational corporation is an enterprise that controls assets of other entities in economies other than its home economy.⁴³ Thomas Clayton in “Competing Conceptions of Globalization’ Revisited: Relocating the Tension between World-Systems Analysis and Globalization Analysis” adroitly discusses this tension between the power of the state to capture surplus profit and transnational firms to circumvent around the rules and regulations of states for their own benefit. He argues that some see the transnational capitalist class as fully realized; national capitalist affiliation has virtually disappeared, for instance, in William Robinson and Jerry Harris’s “division of the world into a global bourgeoisie and a global proletariat”⁴⁴ whereas others describe an intermediate stage of development.⁴⁵ Boswell and Chase-Dunn, for instance, conclude that “the world-system has now reached a point at which both the old interstate system based on separate national capitalist classes and new institutions representing the global interests of capitalists coexist and are powerful simultaneously. In this light, each country can be seen to have an important ruling-class.”⁴⁶

Yet others see only the beginnings of a transnational capitalist class; William Carroll and Colin Carson’s empirical study, for example, points decisively toward the “persistence of

⁴³ Mark Pilkington, “Transnational Corporations in a global monetary theory of production: a world-systems perspective”, *Journal of World-Systems Research* 16 no 2 (2015); 253

⁴⁴ William Robinson and Jerry Harris, “Towards a Global Ruling Class? Globalization and the Transnational Capitalist Class,” *Science and Society* 64 (Spring 2000); 17

⁴⁵ Thomas Clayton, “Competing Conceptions of Globalization” Revisited: Relocating the Tension between World-Systems Analysis and Globalization Analysis”, *Comparative Education Review*, Vol. 48, No. 3 (August 2004); 286

⁴⁶ Ibid

national . . . power structures,” despite their obvious inclination to conclude otherwise.⁴⁷ What these differing positions chart is the ambiguous relationship of this transnational capitalist class and state as comprising a central role in the contemporary process of economic globalization.⁴⁸ The conventional approach views the core of the world-system as characterized by strong nation-states that exhibit relatively low levels of political control of the market. The core state may have high taxes, strong government regulation, and large state-owned enterprises, but state political control of the market sphere is at arm’s length.⁴⁹ This is something to be challenged. Whether states can sufficiently capture the shift from accumulated capital from producers is a major challenge for twenty-first century states, one which conventional World Systems Analysis underestimates in its theoretical alignment of particular states with their particular capitalist classes. The growth of transnational actors controlling production through commodity chains, and for examples in the cases of Apple and Google, often exploiting tax loopholes by changing their ‘home’ country, exposing a dissonance between conceptions of powerful states as liberal nation-states versus the real transnationality of capital and profit. The corporate headquarter-foreign subsidiary linkages that emerged as a result of this process of production dispersion have formed the basis for a new dimension of economic power.⁵⁰

To push this argument further, as was outlined in Wallerstein’s overall political project, one of the conditions of the coming crisis of capitalism is that of democratization, or the

⁴⁷ William Carroll and Colin Carson, “Forging a New Hegemony? The Role of Transnational Policy Groups in the Network and Discourses of Global Corporate Governance,” *Journal of World- Systems Research* 9 (Winter 2003): 90

⁴⁸ Clayton, “Competing Conceptions of Globalization Revisited: Relocating the Tension between World-Systems Analysis and Globalization Analysis”, 287

⁴⁹ Babones “What is world-systems analysis? Distinguishing theory from perspective”, 9

⁵⁰ Jeffery D. Kentor, quoted in Marc Pilkington, “Transnational Corporations in a global monetary theory of production: a world-systems perspective”, 256

immense expansion of state responsibilities regarding their citizens.⁵¹ Proper governance, as has been explored by Neumann and Bartelson, is becoming the only acceptable standard for modern governments, yet the crux of Wallerstein's argument, one which can be seen with Schumpeter's "Crisis of the Tax State", is the growing costs of such constant replicating legitimacy. The precarious balance between maximizing revenue while minimizing dampening costs undercuts the ability of the modern state to function (one need only look at the mounting debt in the United States and many EU countries to understand the dramatic structural problems associated with this). If we are to understand coreness as the highly developed structural bureaucracy and efficiency, a point Wallerstein makes very clear throughout *The Modern World System I-IV*, then one needs to treat governance as a real problem that is insufficiently analyzed under Wallerstein's dual relationship between capitalist firms and state machinery appropriation. One needs to treat the ability of the state to capture capital in the context of interstate competition. Building upon this critique, one revision regarding coreness might then take into account Neumann and Bartelson sovereignty as governmentality analysis and propose a significant measure of coreness is the diffusion of governance responsibility to many actors who are necessarily linked to the health of the given state. The mediation of these actors would emphasize network and relationships among diverse actors as an essential quality of coreness in the international system, and in term make clearer the hierarchy of states insofar as a core state can guarantee proper governance of its populations through the greatest potential capture of finite capital.

Developing this argument further, albeit in a differing direction, is to examine greater state control of the economy and subject populations in illiberal states. China and Russia would

⁵¹ Wallerstein, *Utopistics, or Historical Choices in the Twenty-First Century*, (New York: New Press, 1998); 79

be two important examples of high integration, whether through official or unofficial channels, of state bureaucracy and the actors within the governed territory. The ability of the state to compete is necessarily connected with its ability to tax and control surplus capital from with economic activities. Contrasting with conventional categorizations of core governance under liberalism as moderate interference, the logic of the analysis suggests that capital in the world-system does not flow from nation to nation—from dependent, periphery Chile to dominant, core United States, for example—but among zones that overlap national boundaries in complex, discontinuous ways.⁵² States do not themselves control a share of the world-economy, but provide a political home to those economic actors who, when aggregated on the basis of their national and supranational affiliations, do so.⁵³ However, as Pilkington observes, “One might think the system would shift money from rich countries, where capital is in abundance, to those where it is scarce, while transferring risk from poor countries to rich countries ones, which are most able to bear it.”⁵⁴ The system is neither equitable nor just. States can only gain from others loss and the model of core status as liberal standoffishness in economic matters is open to revision. Some states will rely more on economic power for global status or prominence, while others rely more on political and/or military power. It follows that a country’s degree of power in the “global arena” can flow forth from its combined position on these various power networks, and countries’ positions on these networks can vary substantially.⁵⁵ Networks more than direct control or consolidation provide differing systems or logics of power and the conceptual development of coordination implies a ‘core’ that far exceeds that of singular entities. This

⁵² Thomas Clayton, “Competing Conceptions of Globalization” Revisited: Relocating the Tension between World-Systems Analysis and Globalization Analysis”, 284

⁵³ Ibid, 285

⁵⁴ Ibid, 258

⁵⁵ Jacobs and Rossem, “The Rising Powers and Globalization: Structural Change to the Global System Between 1965 and 2005” 378

emphasis on network is developed further when considering transnational corporations and the systemic flow of capital.

2.4 Secular Stagnation and the West in decline.

Secular stagnation, the declining real productivity and GDP growth compared to potential, is an idea proposed by Summers to explain the slowdown in growth of OECD countries, especially in the wake the Great Recession. Declining profits, surplus savings, and stagnating growth are structural problems for conventional OECD core countries, from the perspective of this argument. Knudsen has associated declining domestic productivity with declining capital accumulation since the 1980s, the monetary turn in American economic policy.⁵⁶ But, equally important and in line with the transnational argument, is that some of the most profitable firms today are technology companies that draw most of their profits from intellectual property and patents. Their business model stresses high profitability and low costs, competitive acquisition of patents, and outsourcing low skill labour to foreign countries. They are not encouraged, given tax loop-holes and off-shore tax havens, as well as low return on investments given the extremely low interest rates, to actually investment back into the domestic economy. As such, while profits are extremely high, the actual rate of investment is very low, and the majority of earnings go to shareholders, high-skill labour, and managers. Cash is saved and not used, or tends to flow into existing assets, causing asset price inflation.⁵⁷ This is an unsustainable model for advanced economies and continues to drag down potential and real GDP growth.

⁵⁶ Marcel Knudsen, "Capital Accumulation and the Rise of Finance" in *The United States in Decline* edited by R. Lachmann, (Bingley: Emerald Group Publishing Limited, 2014)

⁵⁷Roger E. Backhouse and Mauro Boianovsky "Secular stagnation: The history of a macroeconomic heresy", *The European Journal of the History of Economic Thought*, 23 no. 6 (2016) 962-3

Favero et al examine demographics. They argue that increasing shifts toward old age in economies, and corresponding higher savings among the older age categories, can account for some downward shift in the real interest rates.⁵⁸ However, they largely examine this in closed economy models, so it is not quite certain how this plays out in integrated economies in which savings cross border. Regardless, demographics can be seen to inhibit growth in that there are simply fewer workers and more old-age people putting stress upon the modern social security net. Robert Gordon makes the case for lack of revolutionary technology leading to slowing growth rates rather than structural problems.⁵⁹ Current technologies improve with each new product; however the differences are nothing compared to the effects of electrification or other breakthrough technologies. The absence of a truly productive leading sector may be leading to lower growth rates. Pontusson and Reuda have detailed how wage and household inequality leads to political polarization.⁶⁰ Unless the ‘pie’ can grow to accommodate everyone, political turmoil is predicted. Growth is slowing both in the developed and developing world. Political polarization makes many of these policy recommendations difficult to implement. Each country would need to act as a rational actor akin to the Nash equilibrium to truly combat the savings glut and capital flight. This is difficult to foresee. Wolfgang Streeck in *Crisis in Democratic Capitalism* details how democratic legitimacy is in many ways a bribe with the promise of equitable distribution and growth. One can expect turmoil in political instability if the underlining dampeners on growth are not corrected and stagnation averted. The declining

⁵⁸ Carlo Favero,; Gozluklu, Arie; Yang, Haoxi. ‘‘Demographics and the Behavior of Interest Rates’’. *IMF Economic Review*. 64, no. 4, (2016) 732-776

⁵⁹ Robert Gordon, ‘‘Secular Stagnation: A Supply-side view’’ *American Economic Review: Papers & Proceedings* 2015, 105(5): 54–59

⁶⁰ Pontusson, Jonas and David Rueda. ‘‘Inequality as a source of political polarization: a comparative analysis of twelve OECD countries.’’ In *Democracy, Inequality and Representation* edited by Pablo Beramendi and Christopher J. Anderson, New York: Russell Sage Foundation 2008

productivity and increased risk of political turmoil feeds back into the idea of the system as totality. Straussfogel writes, “When an existing system is perturbed by such internal or external fluctuations, its component institutions and subsystems will seek to maintain their stable state. Some internal relations may be redefined and some subsystems may be created or destroyed, but if that stable state is restored and the extreme fluctuations damped, then the larger world-system is not qualitatively transformed.”⁶¹ Although there is a lack of consensus on secular stagnation as a model for declining growth in OECD countries, for the purposes of this thesis we can take it as given in order to explore the revisionary critique by means of focusing on declining profits in the conventional core and the spread of capital towards the BRICs as focal points in developing areas for higher profitability. In the global economy of the early twenty-first century, unskilled labor remains relatively immobile, particularly between the economies of the core and semi-periphery. However, in contrast, capital and technology have become even more mobile, emphasizing domestic populations as labour forces and capital as facilitating the development of productivity and technology without fundamental restrictions within the capitalist totality.⁶²

To conclude this chapter, a brief recap. The conventional distinction of core-periphery in terms of the division of labour and differences in development was shown to be problematic. The critique argued for a shift away from one directional exploitation toward a more diffused network, of surplus exploitation. This network necessarily involves expanding interior development, whether one conceives this as a region or extra-large country, in which multinationals and domestic mediators are interrelated. Finally, given the logic of capital endless

⁶¹Debra Straussfogel, “A Systems Perspective on World-Systems Theory”, *Journal of Geography*, 92 no. 2 (1997); 123

⁶² Robert N. Gwynne, “Clusters and Commodity Chains: Firms Responses to Neoliberalism in Latin America”, *Latin American Research Review* 39 no 3 (2004); 247

accumulation of capital, capital flows within the totality would logically invest and exploit these lesser developed zones. However, given the finite (according to Worlds Systems Analysis.) prevalence of capital, and given declining productivity in the conventional core, the argument follows that a renewed sense of core would involve the states in these regional zones encouraging exploitation insofar as it increases the capacity of the state to capture capital, whether through taxes, tariffs, or the development of domestic producers, with which to better compete in the international world. Chapter 3 will examine the four cases to see if any empirical examples of this argument can be justifiably found.

Chapter 3: Case studies

The BRICs represent the emerging powers in the twenty-first century. Chesters succinctly describes the rise of three;

“global wealth has been redistributed from the core to the semiperiphery. During the latter half of the twentieth century, core nations adopted neoliberal economic policies which resulted in the transference of manufacturing and manufacturing jobs from the core to the periphery and facilitated the upward mobility of the three peripheral nations, India, Russia and China into the semiperiphery. Local entrepreneurs in these three nations were well-placed to take advantage of the opportunities provided by the neoliberal economic policies adopted in the core. With vast reserves of relatively cheap labor, industrial expansion in both India and China fuelled both increasing GDP per capita and wealth inequality.⁶³

While it is relatively uncontroversial to describe the four cases under examination here as middle income, emerging markets, or developing countries with enormous potential, this misses the point. Their “emergence” is immaterial without contextualizing their relationship with the capitalistic world economy as a totality. As such, this chapter will parsimoniously detail each country individually and try to parse out hints of aspects which the conventional World Systems Analysis can be supplemented by the revisionary critique.

3.1 Brazil

From 2000-2012 Brazil was one of the fastest growing economies in the world, ninth largest in terms of nominal GDP, and much of this growth has occurred during the liberal opening in the late 20th century and expansion of free trade within Latin America and partners

⁶³ Jenny Chesters, “The Effects of Neoliberalism on the Distribution of Wealth in the World Economy” in *Structures of the World Political Economy and the Future Global Conflict and Cooperation* edited by Christian Suter and Christopher Chase-Dunn, (Berlin: Lit, 2014); 96

beyond. Brazil has integrated into the global commodity chain, exporting manufacturing goods but principally agricultural products and raw materials. It was a leading force behind the creation of the Common Market of the South (MERCOSUL). Between the Miami Summit in 1994 and the Santiago Summit in 1998, it became clear that two poles of attraction were being constituted in the hemisphere—one centered on the United States-NAFTA core and the other centered on Brazil-Mercosur.⁶⁴ Teixeira's analysis emphasizes regional cooperation with a strong regional leader when set against a hegemonic power from far away. Despite the overwhelming size of the US, Latin American integration in NAFTA fell apart through the cautious leadership of Brazil during negotiations and the relative safety of regional free trade versus long distance regardless of the obvious size of the US markets in terms both relative and absolute. However, its potential to influence international outcomes is likely to be determined more by the capacity of the country's elites to identify and harness qualitative assets associated with its stable and democratic governance than by any hard-power assets. Brazil, in this analysis, is the quintessential "soft-power" BRIC.⁶⁵ As Bishop et al argue, Brazil's role in Latin America as a regional power is often constrained by their own domestic concerns and a focus on international roles across the global South. However, when they assess the growing relationship development plans, infrastructure, and trade links between Brazil and integrating Caribbean and Amazonian countries, they assert the often conflicting perception that many believe that closer ties with Brazil will precipitate significant economic growth and development, while others fear that the country will come to dominate their economic networks, migration patterns and infrastructural

⁶⁴Carlos Gustavo P. Teixeira, "Brazil and the institutionalization of South America: from hemispheric estrangement to cooperative hegemony", *Revista Brasileira de Politica Internacional* 52 no 2, (2011); 206

⁶⁵ Livui Bogdan Vlad, Gheorghe Hurduzeu, Andrei Josan, Gheorghe Vlasceanu, "The rise of the BRIC, the 21st Century Politics, and the Future of the Consumer Society", *Revista Română de Geografie Politică*, (2011); 51

connections.⁶⁶ This integrating pressure is replicated throughout Latin America. As Burges suggests, ‘the goal is to make South America a vibrant market for Brazilian products and a source for the energy resources that the country’s economy needs’.⁶⁷ The importance of South America is already clear in that around 80% of Brazil’s foreign direct investment (FDI) is concentrated there.⁶⁸ Brazil seems to pursue a strategy of cooperative hegemony in which it attempts, within a multilateral structure and by stressing a common identity, to make all South American states rally around the political project of establishing South America as a distinct region within the hemisphere.⁶⁹ However, the Brazil-China trade relations seem to reproduce the old core-periphery pattern, in which one pole (China) exports mainly diversified and manufactured products and imports primary goods. For instance, iron ore and its derivatives accounted for 76% of the value that Brazil exported to China in 2013.⁷⁰

There are several landmarks in foreign policy aimed at strengthening regional cooperation, facilitated by Brazil’s geographic and economic reach. These include the Latin American Free Trade Association founded in 1960, followed in 1980 by the Latin American Integration Association; the River Plate Basin Treaty of 1969; the 1973 Itaipu Treaty with Paraguay to build the Itaipu hydroelectric dam; the 1979 accord among Argentina, Brazil, and Paraguay for use of the Itaipu and Corpus hydroelectric plants; and the Bolivia-Brazil gas

⁶⁶ Bishop, et al “Hemispheric reconfigurations in Northern Amazonia: the ‘Three Guianas’ amid regional change and Brazilian hegemony”, 371

⁶⁷ S, Burges. “Building a Global Southern Coalition: The Competing Approaches of Brazil’s Lula and Venezuela’s Chávez.” *Third World Quarterly* 38 (2007); 1344

⁶⁸ Bishop, et al, “Hemispheric reconfigurations in Northern Amazonia: the ‘Three Guianas’ amid regional change and Brazilian hegemony”, 365

⁶⁹ Carlos Gustavo P. Teixeira “Brazil and the institutionalization of South America: from hemispheric estrangement to cooperative hegemony”, 207

⁷⁰ Pedro Antonio Vieira and Helton Ricardo Ouriques, “Brazil and the BRICs: The Trap of Short Time”, *Journal of World-Systems Research* 22 no.2 (2016); 408

pipeline opened in 1999., Weyland's analysis, under the yoke of realist thought, sees Brazil's strategy of economic regional integration as a bid for later political power set against the spectre of the enormous size of the United States economy. Though the Southern aspirant is currently quite dependent on the Northern hegemon, this long term strategy of reciprocal economic links is meant to establish 'Realist' power later on.⁷¹ For this purpose, Brazil has established closer economic ties to its neighbors, especially through massive investments in Bolivia's natural gas industry and the enormous hydroelectric dam with Paraguay. Brazil has also promoted infrastructural integration in South America to facilitate greater trade and slowly tied its neighbors into an ever denser web of linkages. Weyland's point is to emphasize asymmetrical benefits as for instance when nationalistic governments in Bolivia and Paraguay demanded redress in recent years, Brazil avoided confrontation and made economic concessions to preserve relationships with long term political payoffs.⁷²

However, one need only observe the ongoing recession to identify the vulnerabilities in the economic structure. Demand from China for raw materials and agricultural products and the beneficial price differentials helped sustain Brazil's high growth. However, the prices of iron ore and raw sugar – which account for 13% and 5% respectively of total exports – have been falling since 2011, while the price of oil – which accounts for 7% of total exports – has fallen since 2014.⁷³ The resulting contractions in profit and political instability regarding widespread corruption given notice in the Petrobras scandal, and high capital borrowing from foreign investors lead to the crisis, exposing the structural weaknesses. These weaknesses include a

⁷¹ Kurt Weyland, "Realism under Hegemon: Theorizing the Rise of Brazil", *Journal of Politics in Latin America* 8 no. 2 (2016);163

⁷² Ibid, 165

⁷³ ECB, "What is driving Brazil's Economic downturn?", *ECB economic bulletin*, Issue 1/2016; 3 accessed May 15 2017

burdensome tax system, a sizeable informal sector, poor infrastructure, limited competition, the high costs of starting a business and high tariff rates.⁷⁴ The focus on large scale agricultural products and raw materials as exports to the United States and China (respectively accounting for 12% and 18% of total exports) leaves Brazil largely at the mercy of the global market, and without the development of an extensive interior market, Brazil most appropriately embodies the conventional definition of semi-peripheral state. Although it remains the preeminent economic power in South America, responsible for much of the trade flows, investment, and commodity production, the low development of the regional South American market leaves it dependent on the larger zones of East Asia and North America. Arrighi and Drangel describe ideal semi-peripheral states as a mix of core-type and peripheral type economic activities within the internal borders of said state. Through trade protectionism, selective industrial policy, and exploitation of their cheap labour supplies they manage to maintain enough core-type economic activity within their borders to keep their countries afloat. They remain, however, highly vulnerable to external and internal shocks.⁷⁵ Combined with an ineffective and inefficient state apparatus, widespread corruption, and gross income inequalities among the population, the base for greater Brazilian development is shaky and it remains the subject of negative dependency on other hegemonic zones. The crisis is one Wallerstein has described for many peripheral economies; declining trade benefits leading to shocks for which the weakened political and domestic economic structure is unable to deal. Thus, the revisionary analysis is not supported by the case study as conventional World Systems Analysis retains significant explanatory power in this case study. As such, the revisionary critique finds little basis in Brazil. A model semi-peripheral state,

⁷⁴ Ibid, 1

⁷⁵ Giovanni Arrighi and Jessica Drangel, "The Stratification of the World-Economy: An Exploration of the Semiperipheral Zone", *Review* 10 no.1 (1986); 26

dominant in the region without the diffusion and networks to support itself during commodity price shocks and dependent upon larger states for maintain the balance of supply and demand for its crucial labour intensive and low value product.

3.2 Russia

Babones states unequivocally; “Putin’s Russia, however, seems more likely to remain just where it is: firmly atop of the semiperiphery of the modern world-economy, awash with cash from natural resource extraction and the externalisation of environmental costs. Those who currently lead the country have little incentive to change that.”⁷⁶ He additionally states that, “The key difference between the strategic positions of Russia and the countries of east-central Europe is that while the future of Russia lies in its own hands, those of east-central Europe are dependent upon the decisions of others”.⁷⁷ For the purpose of this essay, one might amend this to Russia’s future lies in the decisions of the market. No other BRIC political-economy is so completely encapsulated by the term “resource nationalism”.

This term encompasses the production of resources as a massive source of wealth, the protection of the domestic market through subsidies derived from resource production, and the use of resource exchange as a mechanism in international relations. Russia, whose economy is structurally dependent on resource rents and the dramatic effect of the development of resources

⁷⁶ Salvatore J. Babones, “A Structuralist Approach to the Economic Trajectories of Russia and the Countries of East-Central Europe since 1900”, *Geopolitics* 18 (2013); 533

⁷⁷ Ibid 532

for the world market, coupled with the energy crisis of the 2000s is remarkable. According to the data published by the Central Bank of Russia, between 1999 and 2007, Russian exports have increased by 400 %, moving from 75.5 billion dollars to 355 billion dollars. The deliveries of oil and gas accounted for 67% of the total exports. The massive increase in exports led to increased reserves on which the Russian state has then shipped abroad from 12.5 billion dollars in 1999 to over \$ 500 billion in 2008.⁷⁸ Minerals and energy sectors account for 15% of Russian GDP and 72% of exports, while taxes and profits generated by resource SOEs contribute roughly half of state budgetary revenues by 2012.⁷⁹

Additionally, although mining industries are all privately owned, Russia controls the flow of energy and mineral products through export taxes to important energy and/or mineral products, which function as a de facto price subsidy for local industrial users and state ownership of its pipeline infrastructure.⁸⁰ Even private ownership, however, does little to curb state control of the resource market, as the cooperation of the state and private companies ensures that control of resources remains with the state. It does have the effect of a qualitatively different form of surplus exploitation than the liberal West. The mostly informal nature of the control infrastructure means that the Russian model of corporate governance is based on noneconomic coercion. This means that Russian owners appropriate not the entrepreneurial profits but the short term insider rent, i.e., incomes from control over the financial flows of a company.”⁸¹ Russia is heavily dependent on resource consumption, both within and without, to the detriment of its other industries, or at least so argues Dzarasov when he states;

⁷⁸Vlad et al, “The rise of the BRIC, the 21st Century Politics, and the Future of the Consumer Society”, 57

⁷⁹ Jeffery D. Wilson, “Resource Powers? Minerals, energy, and the rise of the BRICs.” *Third World Quarterly* 36, (2015); 229

⁸⁰ Ibid, 228

⁸¹ R.S. Dzarasov, “The Capitalist World System and the Russian Economy in an Epoch of Crisis”, *Herald of the Russian Academy of Sciences* 81 (2011), 428

“The inviability of Russian capitalism became strikingly apparent when our country came out of the petrodollar shower of the 2000s with a wornout and outdated capital stock, a distorted economic structure that benefits the energy–resource sector, and mass poverty of the population. Russia has turned into a supplier of raw materials and a sales market for the processing industries of developed countries; consequently, it is becoming an ordinary country of peripheral capitalism”⁸²

This is echoed by Babones when he writes, “The Russian economy is focused on natural resource extraction, reliant on foreign technical advice, and plagued by low productivity in domestic sector. A small number of large, politically connected companies occupy dominant positions in economic life”.⁸³ As such, although riches have poured into the country, within the conventional designation of core-periphery, because of the lack of structural development and clear core governance rules, conventional theory would still judge Russia as semi-periphery. However, within the context of the revisionary analysis, this is somewhat puzzling. Firstly, the uses of resource nationalism have expanded Russia’s influence and reach both globally and regionally. Russia has used subsidised energy to ‘bribe friends’ – mostly notably in the Commonwealth of Independent States. Russia has also made repeated use of the energy weapon in its dealing with Eastern European neighbours. Western European governments have become so concerned at the potential of these threats that many have developed energy security strategies designed to lessen reliance on Russian gas exports.⁸⁴

This question of resource dependency should be teased out more. Babones states, “Russia’s apparent strategy of renewed mercantilism in Belarus, Ukraine, the Caucasus, and central Asia seems to us unlikely to result in excess growth rates....While Russia may gain from the exploitation of these areas, there simply is not enough wealth in the region for such

⁸² Ibid, 429

⁸³ Babones, “A Structuralist Approach to the Economic Trajectories of Russia and the Countries of East-Central Europe since 1900” 530

⁸⁴ Jeffery D. Wilson, “Resource Powers? Minerals, energy, and the rise of the BRICs.” 231

exploitation to have a major long-term impact on Russian national income.”⁸⁵ One could also argue that this reliance on energy exports and foreign technology leave it open to unequal exchanges or relationships, whether with the West or China. Chinese loans and investment in transport infrastructure, mining and pipelines are most welcome in Russia, in part because its position in the Ukraine has isolated Russia from the West.⁸⁶ The Chinese-Russia energy deals of 2013 and 2014 would, within the context of conventional analysis, signify the further entanglement of the Russian economy to global energy markets. Yet expanding the analysis to reciprocal, network, dependency would argue the opposite. The sheer size of the energy reserves as well as integration into the twenty-first century capitalist economy ensures that demand always exists somewhere within the economic totality. What the sanctions or alternative energy development of the core countries achieves is simply a re-direction of energy flows to China, India, and the larger zones of East and South Asia as a whole. Given the state’s capture and retention of capital within territory, Russia has been able to finance significant interventions in the Middle East and Ukraine, expanded its reach through investment into Central Asia, all the while suffering from a decline in energy prices. What this would emphasize is that conventional core development cannot be the only signifier for state significance in a system. Given the vastness of the global market, lesser developed states with significant resources to export can still play a far larger role in international relations. Certainly, given Russia’s decreasing birth rate and the general global trend away from fossil fuels, this is not an indefinite state of affairs. Yet expanding World Systems Analysis away from development as the latchkey for influence in the system towards production or resource extraction essentiality and the state’s capacity to

⁸⁵ Babones, “A Structuralist Approach to the Economic Trajectories of Russia and the Countries of East-Central Europe since 1900”, 530-1

⁸⁶ Komlosy, “Prospects of Decline and Hegemonic Shifts for the West”, 473

capitalize on these marketable goods within a totalized network can possibly give greater depth to analyze states or regions in the short to medium term. Indeed, Russia's (re)expansion into Central Asia supplies the state with an economic zone of large sources of labour from which high surplus value can be exploited. Referring back to the coloniality step, the reproduction of core-like and peripheral-like conditions within this expansive region, as well as continued (if even for the medium term) supplies of energy resources, would mean that Russia remains deeply embedded in the global system, whether through continuing to foster energy dependence upon other states or have a Eurasian backyard to serve as an outlet for Russia capital, the Russian state still has a great deal of maneuverability and opportunities for surplus capital capture by the state. Russia thus offers some interesting points regarding the reproduction of coloniality and regionalist integration as a revisionary designation of core, though it does still suffer from an as of yet diminished and conventionally peripheral interior market.

3.3 India

Wallerstein talks about the importance of how a country was opened into the world capitalist economy. India was opened by colonialization and only by the 1990s and the beginning of the neoliberal era did it fully integrate into the world market. With over 1.2 billion people it is a continent sized country. It ranks third in GDP in terms of purchasing power parity at \$8.7 trillion, but its nominal GDP puts it in a seventh place with \$2.25 trillion. The country's high population drags its GDP (PPP) per capita down to \$6,658. India's GDP is still highly dependent

on agriculture (17%), compared to western countries. However, the services sector has picked up in recent years and now accounts for 57% of the GDP, while industry contributes 26%. The economy's strength lies in a limited dependence on exports, high saving rates, favorable demographics, and a rising middle class. India recently overtook China as the fastest growing large economy.⁸⁷ From the mid-20th century onwards India followed an import substitution industrialization strategy, replacing foreign imports with domestic production and integrating vast numbers of rural workers into industrial production.⁸⁸

Wallerstein also states that “the success of capitalism in ensuring the endless accumulation of capital has been in its ability to keep the three basic costs of production—costs of personnel, costs of inputs, and taxation—from escalating too fast”.⁸⁹ This question is highly relevant to the India case study, critically in the diversity within the country. William Atholis describes India's states falling into three basic categories—the backward states, the forward states, and the swing states. These reflect a three tiered system of development in which, for example, backward states tend to be agricultural, with over 80 percent of the population living off the land—above the national average of 69 percent.⁹⁰ Lack of skilled workers, inadequate banking services, and poor infrastructure all make investors wary.⁹¹ However, given India's enormous growth rate, development is coming and through the dynamism of the endless accumulation of capital, having these backward areas may in fact be a distinct advantage in the

⁸⁷ Bajpai, Prableen “The World's Top 10 Economies” Last Modified February 8, 2017, accessed May 2, 2017 <http://www.investopedia.com/articles/investing/022415/worlds-top-10-economies.asp>

⁸⁸ Jacobs and Rossem, “The Rising Powers and Globalization: Structural Change to the Global System Between 1965 and 2005” 375

⁸⁹ Immanuel Wallerstein “After Developmentalism and Globalization, What?” *Social Forces* 83 (2005); 327

⁹⁰ William Atholis, *New Players on the World Stage: Chinese Provinces and Indian States* (Washington: Brookings Institution Press (2013); 20

⁹¹ Ibid, 21

future. If competition in the inter-state system is over the finite amount of capital available for the reproduction of profit, then the state or region which inherently retains the greater potential for profit over the long term attracts greater capital flows. India, with vast demographic advantages and relative poverty, i.e. large pools of cheap labour and enormous potential for profit through developmental investment, has this distinct advantage. Indeed, labour reserves are swelled by massive regional migrations, for instance 15-20 million illegal Bangladeshi migrants reside illegally in India, making it the world's largest migration.⁹² If we are to understand 'core' not as a highly developed economy but as a state or region which has distinct significance as the centre of capital flows and accumulation, or at least the deep potential to become a nexus centre, then India holds this designation.

India's potential is stressed, however, because India is believed to enjoy many advantages that China does not have, such as a multi-party political system, a fully competitive business environment, an independent judicial system, and so on.⁹³ India as a continent sized country and the income and development diversity within its boundaries can in effect form a region unto itself. The capitalistic accumulation of capital through the quest for profits can continually reproduce itself within this bounded territory through the mass population for all skill groups. The growing development both of its service sector and manufacturing ensures that India remains a pivotal country for investment of surplus capital from the core regions, further strengthening this interrelated dependency between capital investing governments and

⁹² The Economist, "South to South: The other kind of immigration", *The Economist*, December 24, 2016, accessed May 3, 2017, <http://www.economist.com/news/international/21712137-flow-people-poor-countries-other-poor-countries-little-noticed>

⁹³ Zhao Gancheng, "The Rise of Chindia and its impact on the world system" in *Rising China: Power and Reassurance*, ed Ron Huiskens (Canberra: ANU Press, 2009); 70

multinationals and the government to capture. Capitalists need to invest capital and if a region or state holds such promise of appropriated profit, then dependency can be said to cut both ways.

Additionally, if we take as true the assertion that the driving forces in future economic growth are demography and technology, then India additionally holds advantages conventionally unattributed to peripheral-semi-peripheral countries.⁹⁴ Madsen et al have shown that in the “Asian miracle” countries in general, high growth rates have resulted in spectacular savings rates, which in turn have financed investment, and that this growth has been primarily fuelled by innovation and increasing productivity.⁹⁵ The Indian and Asian miracles countries at large, new growth paradigm places a premium on skillful management by public and private authorities.⁹⁶ One indicative signifier of this is the growth of green technology industry. India is now expected to obtain 40 percent of its electricity from non-fossil fuel sources by 2022, eight years ahead of schedule.⁹⁷ The author of the article rather pointedly remarks “Beijing and New Delhi — not, embarrassingly enough, Washington — are showing the way forward”⁹⁸, effectively highlighting how diffused technological innovation has become if there is a market for it, regardless of development.

However, given the often pervasive level of corruption, developing the state machinery in order to better service/manage populations and more efficiently exploit capital is essential for India in the future. It has the nexus of capital, population, dynamic growth, and diverse

⁹⁴ Dale W. Jorgenson, Khuong Minh Vu, “The Emergence of the new economic order: Growth in the G7 and the G20”, *Journal of Policy Modeling* 35 (2013); 394

⁹⁵ Jakob B. Madsen and Iqtiaar Mamun, “Has the capital accumulation in the Asian miracle economies been fuelled by growth?” *Applied Economics* 48 (2016); 3192

⁹⁶ Jorgenson and Vu, “The Emergence of the new economic order: Growth in the G7 and the G20”, 398

⁹⁷ The Editorial Board, “China and India make Big Strides on Climate Change”, *New York Times*, May 22, 2017, accessed May 24, 2017, https://www.nytimes.com/2017/05/22/opinion/paris-agreement-climate-china-india.html?_r=1

⁹⁸ Ibid

commodity production that establishes itself as a core by the revisionary critique. All that remains are political challenges. In the long run, India's ultra-pluralistic, highly federalized democracy can work only as well as its individual parts work.⁹⁹ The labour market remains highly unofficial; India has just 49m income-tax payers out of a population of 1.2 billion.¹⁰⁰ This makes the challenges of India a particularly interesting study for the revisionary thesis. With a government firmly entrenched in the liberal order and espousing ideals of economic and political management more similar to core countries, unlike authoritarian and central China, India must navigate between excessive management of economic production and expanding the tax base and integrating all aspects of its population into the production network.

India thus expands upon several of the points made by the revisionary critique. Firstly, as a region/state with vast abundance of labour and production potential, India is major player as a nexus for capital investment and flows from multinational corporations and the transnational network, offering the opportunity for India to expand if it can successfully and efficiently capitalize on capturing surplus profit for the state. As such, though it will remain poor and underdeveloped in comparison to developed Western States, the actual heft regarding inter-state competition in a capitalist totality far exceeds that which would be determined by conventional theory. Secondly, given the growing integration into the world economy whether through the service industry, export production, or capital accumulation, India nonetheless retains a significant advantage in demography in comparison to stagnating core states. One need only consider Italy's anemic economic and population growth, as well as its overwhelming

⁹⁹ Atholis, *New Players on the World Stage: Chinese Provinces and Indian States*, 25

¹⁰⁰The Economist, "Two Stumbles Forward, one back" June 25, 2016, *The Economist*, accessed May 23, 2017 <http://www.economist.com/news/finance-and-economics/21701133-government-takes-long-winding-path-towards-reform-two-stumbles-forward-one>

dependence on credit and debt to sustain government spending. The Indian state can capitalize on growing technological productivity combined with population diversity and growth to outperform core states even if the average citizen remains far poorer. Inequality and exploitation as a necessary quality of capitalism, and a fundamental underpinning of capital accumulation through hierarchical division of labour and diversified commodity chains, can easily be reproduced ad infinitum in a country of 1.2 billion. A state with 200 million middle class citizens has a greater say in the rules of the economic system than a state with 20. Paradoxically, relative poverty may actually secure greater power for the country in the coming decades as potential profitability tomorrow matters far more than real profitability today.

3.4 China

China is an exceptional country. Having recently overtaken Japan as the second largest economy it is on track to assume the first position in the coming decade(s). Since it initiated market reforms in 1978, it has achieved economic growth averaging 10% annually (though it's slowed recently) and, in the process, lifted almost half of its 1.3 billion population out of poverty. However, the country saw its exports projected to grow only by 1.9% in 2016, and total GDP growth has gone down to 6.5% and is projected to slow to 5.8% by 2021. The country's economy is propelled by an equal contribution from manufacturing and services (45% each, approximately) with a 10% contribution by the agricultural sector.¹⁰¹

China's adherence to the WTO expanded its ability to export to previously closed, limited, or high-tariff markets. China "joined" global commodity chains by becoming the host country for outsourcing. Foreign corporate actors initiated China's integration into global

¹⁰¹ Bajpai, "The World's Top 10 Economies"

networks¹⁰², though Arrighi notes that much of the initial wave of growth was initiated by Chinese capital from diaspora populations throughout East Asia.¹⁰³ What makes China such an interesting study is firstly the astounding development in such a short time, but also the diversification of industry and production. The area received and receives astronomical amounts of investment from governments and multinationals, and the opening of the country has not resulted in the neo-liberal asymmetrical dependence found in other post-socialist countries. However, the tension between the *rise* of China and the *ascension* of China to some kind of hegemonic eminent prominence is something continually debated within scholars of World Systems research. This problematic tension will be further explored in this section.

Firstly, there is an obvious mutual dependency between China and the West writ larger. Arrighi explains,

“The welcome that China is offering to multinational companies and foreign investment has left many Western business executives, so critical of a closed Japan more than a decade ago, enthusiastically embracing China, its cheap work force and its huge markets...Japan rapidly caught up with the West by licensing technology...But China has both licenced technology and used the attraction of its potentially huge market to lure foreign investment. That has not only brought further investment but...has also helped to insulate China from trade clashes. Many of the same multinationals that once fought with the Japanese, like the Detroit automakers, are now big investors in China—investors that oppose trade restrictions on it.”¹⁰⁴

Additionally, Fareed Zakaria notes that Americans are borrowing 80 percent of the world’s surplus to support their consumption. China’s (\$1.5 trillion), Japan’s (\$880 billion), Taiwan’s (\$266 billion), and South Korea’s (\$240 billion) collectively account for half the world’s foreign exchange reserves. This global financial scheme has allowed the American financial and industrial elite to also profit from foreign workers while at the same time maintain

¹⁰² Kathleen C. Schwartzman, “Will China’s Development lead to Mexico’s Underdevelopment”, *Journal of World Systems Research*, 21 no 1 (2015), 107

¹⁰³ Giovanni Arrighi *Adam Smith in Beijing: Lineages of the Twenty-First Century*, (London: Verso, 2007); 352-3

¹⁰⁴ Zakaria in K. Bradsher, “Like Japan in the 1980’s, China Poses Big Economic Challenge,” *New York Times*, March 2, 2004, accessed May 15, 2017

a quality of life in the United States —known as the bribe wage—for workers.¹⁰⁵ The capitalist elite, whether conceptualized as national or international, nonetheless depend upon Chinese production in the endless accumulation of capital as the centre for profitable investment. Yet while low skill labour still account for significant portions of the commodity chains, “the main attraction has been the high quality of those reserves—in terms of health, education, and capacity for self-management—in combination with the rapid expansion of the supply and demand conditions for the production mobilization”¹⁰⁶. The main competitive advantage of China is not that its production workers typically cost 5 percent of their US counterparts but that its engineers and plant managers cost 35 percent or less.”¹⁰⁷ China has greatly benefited from this intense integration into the capital world economy. The Chinese income per capita in 2000 was \$2900, and in 2015 it had risen to \$14 320.¹⁰⁸ China shows that it is already advancing out of mi status with lower informality (a shadow economy of 12 percent), extremely high investment (49 percent), low FDI (10 percent), high research and development spending (2 percent, not far below the OECD average), and educational institutions producing large numbers of engineers and technicians.¹⁰⁹

This vast economic windfall has sponsored regional integration. The current Chinese project to build up a “New Silk Road” between East Asia and Western Europe, which would consist of continental and maritime routes, signals their intention to control global connections. It is a kind of benevolent imperialism, much like British efforts to control global communications

¹⁰⁵ Rubin Patterson, “The Migration Development Model Can Serve Two Masters: The Transnational Capitalist Class and National Development”, *Perspectives on Global Development and Technology* 8 (2009); 219

¹⁰⁶ Arrighi, Adam Smith in Beijing, 351

¹⁰⁷ Ibid, 366

¹⁰⁸ <http://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD?end=2015&locations=CN&start=1990&view=chart>

¹⁰⁹ Richard F. Doner and Ben Ross Schneider, “The Middle Income Trap: More Politics than Economics” *World Politics* 68, no. 4 (October 2016); 634-5

in the late nineteenth century. Once these networks are established, flows can be channelled and re-directed as the owners or organizers wish.¹¹⁰ Additionally, its reach is extending across the Global South. China has purchased major stakes in African energy companies and offer preferential loans throughout the continent. They are dependent on African rare earths and minerals.¹¹¹ The “Big Three” of China’s power companies—CNPC, CNOOC, and Sinopec—is Beijing’s strike force in conquering foreign markets¹¹² The further strengthening of the Chinese position in Africa appears to be promoted by the fact that large state owned corporations entering the African market are followed by Chinese provincial companies and private investors. Package deals between China and African countries, based on the principle of “natural resources in exchange for infrastructure,” emphasize more than any other major country how the influential Chinese state owned and private companies are to extending the economic and political reach of the state itself.¹¹³ One might thereby argue how China represents a more conventional version of the semi-peripheral state, located at the mid-point of exploitation networks. Certainly this is a complicated argument. Using trade data from 1995-2010, Husted and Nishioka find that developing countries have not seen their share diminished, but developed countries, namely Japan and the United States, have, when examining the massive increase in export volume of Chinese goods.¹¹⁴ At the same time, China is reinforcing the dependency of other underdeveloped nations: it imports raw materials from Africa and Latin America, exports finished goods to them, and employs strategies of foreign direct investment.¹¹⁵ The broader point

¹¹⁰ Komlosy, “Prospects of Decline and Hegemonic Shifts for the West”, 473

¹¹¹ Ibid, 442

¹¹² V.V. Tatsii and R.I. Tomberg, “Development of China’s Fuel and Power Sector and its Expansion into African Oil Production”, *Herald of the Russian Academy of Sciences* 91 (2011); 441

¹¹³ Ibid, 443-4

¹¹⁴ Schwartzman, “Will China’s Development lead to Mexico’s Underdevelopment?”, 109

¹¹⁵ Ibid, 121

is that it has usurped many of the core industrial production chains from the Western countries, capitalized upon the natural resources and growing foreign market in both poor and rich countries, and funded the development of its interior market and population through these profits from the capitalist totality. However, the main relationship to focus upon is that of the US and the larger US backed international order.

China has significantly integrated itself into this system governed by Anglo-American rules and practices, and given Chinese holdings of US sovereign debt and its use of the dollar to artificially raise export competitiveness, there are not immediate reasons to supplant the US as the arbinger of the international order. The U.S. national economy has become increasingly dependent on imports of foreign goods and capital that have not been used for productive investment but have helped sustain high government spending and mass consumption¹¹⁶. In part one could look at the post-Bretton Woods regime and monetarization period as beginning of the US not as the anchor of the financial system but rather the exploiter, using US dollars tied to petroleum as an opportunity to promote the purchase of US Treasury bonds and bills. The short-term benefits this solution provided, however, were more than offset by its long-term costs, as the United States increasingly came to rely on foreign investors as the primary source of finance for US investments.¹¹⁷ East Asian countries as massive purchasers of US treasuries and dollar denominated foreign exchange reserves are in large part sustaining the US as hegemon through government bonds and securities that underwrite spending. This nexus of debt and power is still reflected in confidence in the US treasury as a stable asset. When confronted with the 2008 Financial Meltdown, “in the face of spreading illiquidity, US and foreign investors alike sought

¹¹⁶ Maria Ivanova, “Hegemony and Seigniorage The Planned Spontaneity of the U.S. Current Account Deficit”, *International Journal of Political Economy* 39, (2010); 93

¹¹⁷ Vassilis K. Fouskas and Bülent Gökay, *The Fall of the US Empire: Global Fault-Lines and the Shifting Imperial Order*, London: Pluto Press (2012); 73-4

refuge in the most liquid market, the market for US government debt securities.”¹¹⁸ Yet US debt sustainability raises questions regarding the long-term stability of the US as hegemon. The growth of health care costs, persistent budget deficits, and the inability of law makers to resolve this problem carry signaling costs. A problematic sign for the lender of last resort occurred on August 5, 2011 when several rating agencies downgraded the Federal Government credit rating. The leading question when regarding the US role as stabilizing hegemon can be articulated, “Can the world’s largest debtor nation remain the world’s leading power?”¹¹⁹ And, if the debt and capital ties between the United States and China are so vast, can one speak of a global hegemon at all?

Gulick finds the buying of US dollars and bonds as simply reinforcing US hegemony in China, making it cheaper for US companies to buy and invest all the while holding down the eventual bill, easing stress on the thin US profit margin.¹²⁰ But this is precisely the point that the revision critique seeks to make. Because capitalist elites can profit from China does it make the country essential to the system, a core. China remains a necessary focal point in the drive for profit that powers the international system, a convergence of interests that both reinforcing a ‘rising China’ that buys US debt and undercuts national competition, and paradoxically a ‘captive China’ that requires US dollars, demand, and stability in order to function through the expansion of trade. Ganchen’s thesis supports this when he writes, “as developing powers in the international system, they [India and China] cannot be satisfied with the reality that they do not have much to say in nearly all the global institutions, but fundamentally changing the system is

¹¹⁸ B. Eichengree, “The Dollar Dilemma” *Foreign Affairs*, Vol 88, 55

¹¹⁹ Bergson in Arrighi and Silver, *Chaos and Governance in the Modern World System*, (Minneapolis: University of Minnesota Press, 1999), 95

¹²⁰ John Gulick, “A Critical Appraisal of Peter Gowan’s “Contemporary Intra-Core Relations and World-systems Theory: A Capitalist World Empire or U.S.-East Asian Geo-Economic Integration?”, *Journal of World-Systems Research* Vol 10, no 2 (2004), 512-513

neither within their capacity nor in their interests.”¹²¹ Harmoniously, Arrighi states, “While China and America spar over geopolitical pre-eminence, the rest of East Asia just want a more efficient trading area and access to a larger market. And right now, the biggest market is China”¹²². The interests of the developing country require capital from rich countries, rich countries require zones in which their investments garner profits in order for the system not to fall into contraction and crisis, and it is this two-way dependence that makes World Systems Analysis focus on hierarchical order, hegemonic conflicts, and cycles partially flawed. China represents this tension exactly. China has expansive networked power, whether through its essentiality in the global commodity chains, private and SOE in both domestic and foreign zones, or the capture of surplus profit in order to fund government expenditure. However, the revisionary critique seeks to argue that the most important lesson this case study explicates is the essential interrelationship between all actors in the capitalist totality, and how this interrelation mediated by capitalist elites ensures how power doesn’t exist whether World Systems Analysis conventionally says it does, that of the single hegemonic state or a geographically tight-knit group of core states, but rather in the interrelations and flows through the system that powers competitive actors within a single totality.

¹²¹ Ganchen, “The Rise of Chindia and its impact on the world system”; 68

¹²² Arrighi, *Adam Smith in Beijing*, 301

Conclusion

World Systems Analysis offers contributions towards theorizing and empirically understanding international relations that incorporate aspects of realism, liberalism, and constructivism into a larger holistic whole. Viewing the international order as encompassing a totality grounded in the capitalist world economy reveals the structure within which actors are able or unable to act. Questions of agency and determinism, of the ideologies and interests of actors within this complex can be elucidated by the researcher by the greater comprehension of

the real material conditions of economic networks and hierarchies, of the driving expansion of capital and accumulation, and the competition among actors both within and without the state.

To review the case studies. Brazil fit neatly within the bounds of conventional World Systems Analysis' semi-peripheral state designation. Russia partially does, given its relative vulnerabilities from over specializing in resource production in order to compete after the crash of the 1990s, however given the interrelations of the capitalist totalized world economy, the potential for regional expansion, interior market development, the profitability of the resources, and the state's ability to capture surplus capital from its industries, the revisionary critique finds some basis in seeing Russia a regional core. India has demographics, growth, potential profitability, opportunity to expand industrial productivity, and sheer size in which class and hierarchies of zones can be reproduced in order to continue the growth of profitability. It thus fits neatly within the revisionary critique as a regional core in a decentralized totality. China has expansive regional influence, state and private firm cooperation for surplus capital capture, an expanding middle class, an essential role both the recipient of massive investments as well as financier of international debt. Its role in the financial world is second to the United States and as of yet seems to not have suffered from productivity loss found in secular stagnation. It is a regional core *par excellence*, under the revisionary critique guidelines.

As such, what this thesis has hoped to have demonstrated is both the strengths of the theory as offering real meaningful methods of analyzing relationships that power the dynamics of the interstate system, as well as how the theory can be further sharpened in order to offer methods for more penetrating investigation. Firstly, the critique regarding core-peripheral distinctions sought to show how the suppositions of designating states into a hierarchical order within the conventional theory is not the best way to account for real differences in influence,

size, and material power in the interstate system. Secondly, by further developing this distinction, the second step was to argue for an increasingly dispersed, regional diffusion of power, the centralizing tendency of powerful states within networks of overlapping dependencies. The third step was to argue for this renewed sense of underlying co-dependency of states as thereby highlighting how competitive capture of capital flows comprises a better understanding of power. The dynamics of class interests and the logic of the system would thereby suggest that high development does not necessarily mean power or greater significance in the system, but rather the state with a better ability to attract and capture capital, to be nexus for the dynamics of the system, would be a better account of ‘core’ insofar as core implies significance, influence, an essential role within the totality. The conclusion this thesis tried to argue was the logical possibility of a decentralized totalized system, one in which the “decline of the West” does not necessarily mean the rise of one other geographical area, but rather the relative rise of many other regional cores.

Obviously, this focus on core-peripheral critique does not constitute a critique of the entire theory. Rather many aspects, not including questions of agency versus structure, ideology and political economy, hegemony and cyclical trends, were given poor attention or not discussed at all. We are all bound to the tyranny of word counts. Additionally, the case studies were parsimoniously detailed and each individual discussion was intended to offer means of potentially showing how the argument could be supported by some aspects of empirical fact. Far more research would need to be done, most especially long term historical investigation as World Systems Analysis should be conducted.

Wallerstein and many Worlds Systems Analysis theoreticians predict the end of capitalism due to its inherent contradictions, or at least some form of qualitative change. This

thesis in many ways disagrees, opting for the more banal conclusion that the capitalist world economy probably won't change very much, but rather simply who benefits the most won't be the West any longer. At a 2011 White House dinner for CEOs, President Obama asked Steve Jobs, "What would it take for Apple to bring its manufacturing home?" The Apple CEO replied: "Those jobs aren't coming back."¹²³ Both Chinese business skills and labour costs, as well as the direct interests of American companies, are equally culpable in the drain of jobs and capital from the West to regions throughout the world. Duhigg, in a recent article for the BBC, related the story of the first new railway route in Kenya for over a century;

"A history that was first started 122 years ago when the British, who had colonised this nation, kicked off the train to nowhere... it was then dubbed the 'Lunatic Express'." Today... despite again a lot of criticism we now celebrate not the 'Lunatic Express' but the Madaraka [named after the day Kenya's attained internal self-rule) Express that would begin to reshape the story of Kenya for the next 100 years... The railway may be Kenya's biggest infrastructure project since independence but it is also a part of a strategic plan for China to deepen its economic links in Africa. A concessionary loan from China will pay for 80% of the cost."¹²⁴

The players and potential winners of the international order are shifting even if the terms of engagement are not.

¹²³ Charles Duhigg. "Apple's Jobs to Obama." *New York Times* (23 January, 2012.)

¹²⁴ BBC News, "Kenya opens Nairobi-Mombasa Madaraka Express railway", *BBC News*, May 31, 2017, accessed May 31, 2017, <http://www.bbc.com/news/world-africa-40092600>

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