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Rising BRICSAM

'Breaking' Knowledge, Information and Commentary on
Rising BRICSAM and Global Governance Summitry

Relative Success, Failure, and the Hierarchy of Nations

Posted on [June 27, 2008](#) by [Arthur Stein](#)



The conversation about Rising BRICSAM is about changes in the hierarchy of international power and influence. It is interesting to think about the general factors that create changes in the size distributions of actors in competition.

Stability and instability.

It might be instructive to compare the rise and decline of nations with that of firms. The hierarchy of firms changes dramatically in relatively short periods of time. Of the top 100 firms in 1912, only 52 survived to 1995, only 28 were larger then, and only 19 remained in the 100. contrast, 48 of the top 100 disappeared, and 29 had gone bankrupt (from Paul Ormerod, *Why Most Things Fail*, drawing on the work of Leslie Hannah).

Births and deaths.

Death. Firms disappear. They fail and die. They go bankrupt. State can go bankrupt but this does not automatically lead to their disappearance. Rather, states disappear, through voluntaristic agglomeration (think mergers and acquisitions) or conquest (hostile takeover). Although states disappear, the rate of state failure has changed — states do not disappear at the rates they used to (see Tanisha Fazal, *State Death*), and nowhere near the rate of firm disappearance.

Birth. New firms sprout up all the time. New technologies create new firms, often of great wealth (think

Microsoft). New technologies do not give birth to new states, although they affect relative state growth and their prospects for conquering and being conquered. Given the fixity of territory, new states arise either through agglomeration or dissolution. Both processes affect the distribution of power and influence. The unification of 13 North American states which created the US, and Italian and German unification affected the relative power and the hierarchy of states. The EU in some ways portends, and in some ways already manifests, a similar development. Similarly, state dissolution can significantly affect the hierarchy as well (think the collapse of the Soviet Union).

Relative growth. The most consistent basis for changes in the hierarchy of states is relative growth. This is the basis for the argument of a rising BRICSAM. But what are the determinants of relative growth?

The standard components of power and growth have been land, labor and capital. Land is fixed (though its quality and usability can be affected by technology), population changes through natural growth and migration, but it is capital that makes significant changes in relative growth, especially in shorter time periods. Rising BRICSAM is in part an argument about the prospects of large countries with large populations, whose growth is fueled by external infusions of capital or oil exports.

Rising BRICSAM is also about the changes wrought by the spread of industrialization and states catching up as late industrializers. Aspects of this process can be readily assessed and forecast through extrapolation.

Endogenous growth. At some point, growth is endogenous and driven by institutions and ideas. The “new growth theory” built on a logic of “endogenous technological change” (the title of a seminal piece by Paul Romer) argues that knowledge, and the institutional setting in which it is sought and applied, is the key to sustained economic growth and relative growth (for a popularistic accessible introduction, see David Warsh, *Knowledge and the Wealth of Nations*). This raises the question of whether the BRICSAM countries have the institutions and rules for more than catch-up through attracting foreign capital and can make the transition to endogenous growth.

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