

# **Review: Why Nations Fail: The Origins of Power, Prosperity and Poverty**

## **Acemoglu, Daron and Robinson, James (2012). Published by Profile Books Ltd. Great Britain**

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‘Why Nations Fail’ is a book about the huge differences in income and standards of living that separate the rich countries from the poor. In this sense, the main questions that the book seeks to answer are: What are the constraints that keep poor countries from becoming prosperous? Why are countries like Egypt for example, so poor compared to the United States? Can poverty be eradicated? Why are the poor nations failing to prosper and why are they poor?

The book was published within the context of the “Arab Spring”, wherein countries of North Africa and Middle East were undergoing a revolution that had initiated in Tunisia. It was basically due to political instability, corruption, oppression, poor education and so on. The political problems in such countries, many of the times result in poverty. All the economic impediments they face, stem from the way political power is exercised by the state. In this context Acemoglu and Robinson, as the political economists that they are, were mostly concerned about the causes of success of some nations and failure of the others. This book is a result of that concern.

The authors bring forward some theories that they attempt to use in order to understand and explain the causes of income inequality in countries and/or the causes of success and failure. The first theory is the ‘Geography Hypothesis’ which states that poor countries are between the tropics of Cancer and Capricorn. It is the tropical weather that makes individuals from that region lazy and less inquisitive which is why they lack hard-work and innovation. Furthermore, this theory defends that the climate has an impact not only on the work efforts or thought processes but, higher chances of disease can cause very adverse consequences for health and thus, labour productivity.

The second theory introduced is called the ‘Culture hypothesis’ which relies on religion, other types of beliefs, values and ethics. This hypothesis advocates that African countries for example, are poor because they lack a

good work ethic, still believe in witchcraft, and black magic and; resist new western technology. Finally, the third theory is the 'Ignorance hypothesis' which stresses that rulers or decision-makers don't know how to make poor countries prosper. It states that poor countries lack effective supervision and public policies that make it their economies prone to market failure.

According to the authors, the above mentioned theories are not enough to explain why nations fail to succeed. The only argument that they rely on is that organizing the society through extractive institutions is what makes a nation fail. Poor countries are poor because they have exploitative establishments that have been ruled by narrow elites who have organized society for their own benefits at the expense of the common masses. Such institutions do not create the incentives required for people to save, invest and innovate. Furthermore, political power has been used to create great wealth for those who possess it. For nations to prosper, there is a need for inclusive governance and remediation of poverty where the unfair means are either attenuated or absent.

In this sense, the methodology used is basically the hypothesis testing design that seeks to answer the research question given under a hypothetical assumption which is either validated or refuted after the analysis of data. So this methodology design is based on making assumptions or hypothesis' that are posteriorly tested through research after which, the results are interpreted in order to validate if the assumptions are the best way to answer the questions of the research or not. The authors' hypothesis in this book is that, extractive institutions and corrupted governments are the reasons that keep poor countries from developing. They validate it by illustrating with examples of countries like Egypt, Zimbabwe and others that indeed have flawed government systems and exploitative institutions which is why they still remain in poverty.

To a great extent in our understanding, the authors have succeeded in answering the research questions by proving that geography, culture and ignorance hypothesis were not sufficient when the matter was to examine the differences between the poor and rich countries. It is because countries such as Botswana, South Africa and Nogales has shown that these kinds of hypothesis were not enough. An 'Institutional hypothesis' is relevant in explaining, as far as the success and failure of nations is concerned.

The authors put forward an excellent argument for our understanding of why nations fail, particularly for the political economists. But the one point that can be argued is that the book is unable to explain why nations fail using the 'historical background hypothesis'. We must not forget that the

colonial past of many of the poor countries today, play an important role when trying to understand why they are poor.

Besides that, it's important to understand the whole system and not only the domestic side of it. One can say that the structure of the global system is what keeps the poor countries from prospering because there is a western (mostly developed and rich countries) agenda that seeks to perpetuate the political and economical asymmetry between the rich and poor. By exporting liberal values that might not be adjustable in the less developed countries they therefore, sustain poverty. These are the indispensable issues that must not be skipped when it comes to understanding why nations fail and the book has omitted them. Even though, the authors have excellently explained why there is a huge difference between the poor and rich countries and why nations fail, it is from an internal, domestic and institutional point of view and does not look through the lens of the international system from a holistic way.