

Daron Acemoglu and James Robinson's book *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, is nothing if not audacious. The result of 15 years of study, the authors cover a vast spread of historical and contemporary examples of countries that have evolved toward astonishing prosperity and others that are regressing into poverty that defies solutions. They present a simple theory to explain why some nations fail and why some prosper. Through long and highly contingent processes spanning centuries, prosperous nations have developed inclusive political institutions that permit participatory political decision-making across broad interests and groups; economically, they have developed institutions that make a place for creative destruction, or the development of new technologies by new entrants that make existing processes and technologies obsolete. Countries that are not prosperous have developed extractive political and economic institutions that do not permit creative destruction, for the purpose of preserving the power and privileges of a narrow, elite ruling class that exploits the rest of the populace. These are not binary categories, of course, with nations varying in degree between inclusive and extractive institutions, but that is the essence of their theory.

They assert political centralization as a key factor in establishing a framework in which growth can occur. Without centralization, groups tend remain mired in internecine conflict, each group impeding other groups from becoming too powerful; the old metaphor comes to mind of crabs being unable to crawl out of a bucket because as soon as one starts to gain some height, others will pull them back down. They acknowledge that political centralization frequently results in extractive institutions when one group manages to dominate others, which can lead to a form of absolutism (180), but without a State monopoly of violence resulting from political centralization, "the state cannot play its role as enforcer of law and order" (74). Without a broad social order, contracts and property rights cannot be enforced, and thus pluralistic and inclusive institutions that foster the creative destruction of innovation cannot emerge; without innovation and property rights, there is no incentive basis for genuinely creative economic growth.

They trace deep historical roots to explain many contemporary situations. For example, they analyze the enduring poverty struggles of all of Latin America - from the US-Mexican border south - as rooted in the highly extractive and repressive colonial institutions set up by the Spanish *conquistadores*. Some nations have made some progress toward more inclusive institutions - such as Brasil and Chile - and they have prospered as a result. Other nations persist in abject poverty where extractive institutions benefit a small elite. The authors cited a study that concluded that in Guatemala just 22 core families, linked to another 26 families just outside the core, have controlled power since 1531; in the 1993 elections, the president, the finance minister, and development minister were all descended from the *conquistadores* (339).

Across all their examples the authors repeatedly stress the contingent nature of institutional drift in one direction or another; there is no reason for political institutions to become pluralistic, nor is there a natural tendency toward political centralization (81). Though historical institutions and influences may remain powerfully influential, neither are outcomes historically determined. They argue that the institutional drift within a given country is significantly influenced by coincidental external situations that can reinforce or reverse the drift. Curiously, they argue that in England and western Europe the Black Death of the mid-1300s destroyed feudal society such that it opened the way for more liberal institutions to develop (92ff); in eastern Europe, it had just the opposite effect of strengthening the extractive institutions (95). In another instance, just as

England was developing more inclusive institutions after the pivotal 1688 Glorious Revolution, trade with the Americas was opening opportunities for new people to enter into trade and develop wealth, which then broadened the base of the middle classes that had a stake in the polity and the economy; the result was a process that strengthened the virtuous cycle of institutional changes that had already been developing in England (100ff). Had the circumstances been different in each of those instances, the outcomes could well have been very different.

As I read the book, I formed a different interpretation of their argument. What emerged to me is that extractive states and governments are the norm, both historically and contemporarily. What they document is not only the highly contingent process of forming inclusive, pluralistic institutions, but that they are the exception. That much of the Western world is dominated in our time by the relatively inclusive institutions of America, Australia, the United Kingdom, western Europe, and Scandinavia distorts the reality of the nature of the modern State. Nor were those countries always as politically inclusive as they are currently. Contemporary Latin America is a very mixed bag in their review; even where there is some inclusiveness, the extractive Spanish colonial institutions are never far from the surface. I question the inclusiveness of much of Europe more than Acemoglu and Robinson. Though acknowledging that France's exportation of its republican model to much of the rest of Europe was extremely violent and bloody, they include France among the states that support inclusive institutions. I understand their point, certainly relative to many repressive states around the world, but the massive bureaucratic apparatus of France and similar European welfare states is a particular form of extractive institution. As an example, the current nominal tax burden in Italy is around 60+ percent; crackdowns by the fiscal police are frequent. Newspaper accounts of someone in the despair of debt or joblessness killing themselves, and at times their families, are not daily occurrences, but neither are they rare. From a different view, the extractive nature of the bureaucratic State in some of its Latin American forms is evident in Hernando de Soto's *The Mystery of Capital*.

The mythology of the State aside, the State is not a beneficent institution; as Acemoglu and Robinson document, it is at best a precarious balance of competing powers, at worst a murderous tyranny. To lose sight of the fragile contingency of inclusive and pluralistic polities, to come to trust in any statist form as some great and enduring hope of mankind, is a myth born of one's narrow contemporary experience within the comfort of one of the nations in which the inclusive institutions did take firm hold - for the moment. I live in America, one of those countries. When the Patriot Act was signed after 9/11, my immediate thought was that we are now legally a police state, though - barring a few extreme crises - it may take a few decades for that to fully develop. The post-9/11 militarization of police is clearly manifest in the hunt for the bombers at the Boston Marathon and again recently in the riots in Ferguson, Missouri. Boston and Ferguson are not exceptional cities; what we glimpsed in those two events is the evidence of a quiet, massive, unseen buildup of domestic paramilitary force that could emerge on a far wider scale on a moment's notice against either international terrorism or domestic violence.

How that force develops and is used remains to be seen. Tocqueville wrote that "Democratic governments may become violent and even cruel at certain periods of extreme effervescence or of great danger: but these crises will be rare and brief" (*Democracy in America*, Vol. II, Part IV, ch. 6, "[What Type of Despotism Democratic Nations Have to Fear](#)"). Whether or not that holds

will depend on the confluence of political decisions, popular response, and unforeseen circumstances; that future is as contingent as was the past, and possibly more complexly so. The [six chapters in part IV](#) of *Democracy in America* on centralization of power and “soft despotism” may help understand some of the drift we are already seeing.

Acemoglu, Daron and James Robinson. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. New York: Crown, 2012.

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