

INSIGHTS FROM POLITICAL SCIENCE

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

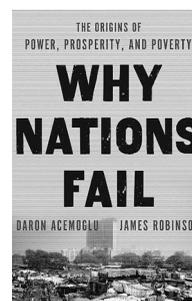
By Daron Acemoglu and James A. Robinson

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The causes of political instability and state failure have become growing concerns for strategic leaders and national security professionals because the United States is much more likely to deploy force in countries experiencing such conditions than to engage a peer competitor in a conventional war. The authors of *Why Nations Fail* provide a compelling explanation for state failure that is all the more rare because it has value for both practitioners and scholars of national security. The good news to be derived from the authors' thesis is that problems associated with state failure need not be viewed with a sense of fatalism because the causes do not grow from some immutable material factor like geography or ethnicity, but rather are manmade. The bad news is that the causes of instability lie with institutional configurations which, while manmade, can prove intractable. Consequently, the prospects for successful stability and nation-building operations may be quite slim. The authors begin to support their thesis by comparing conditions between Nogales, Arizona, and Nogales, Mexico, to show that neither geography nor ethnicity can account for differences. The value of the analysis provided by the authors for both the academic and policymaking audience will become apparent from the following summary of their thesis and the evidence they use to support it.

The authors begin by noting that today's successful states share common institutional configurations that they label inclusive. In the economic realm, inclusive institutions include such things as a patent system and a guarantee of property rights which, among other things, encourage investment and innovation thereby laying the basis for economic growth and generalized prosperity. Inclusive political institutions are those characterized by a pluralism that ensures power is constrained and broadly diffused. The interaction between inclusive economic and political institutions generates a self-reinforcing virtuous circle. Because prosperity is generalized throughout the social system, no single group has an incentive for concentrating political power in its own hands to perpetuate its rule. The evolution of the United States illustrates the consequences of inclusive political and economic institutions.

In contrast, today's weak and potentially unstable states are those with institutional configurations that the authors label as extractive. As the label itself suggests, extractive economic institutions are predatory in the extent to which they concentrate and channel wealth into the hands of a narrow elite. Because such extractive economic institutions create wide disparities in wealth, the elites have little interest in investment or innovations that diffuse prosperity in a way that jeopardizes their affluence. Examples of extractive economic institutions include grants of monopoly or serf-based agriculture. In a setting where wealth becomes



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excessively concentrated, political control is necessary to protect economic interests, so elites will resist any pressure for broadening political participation. Therefore, extractive economic arrangements are reinforced by extractive political institutions generating an interaction that creates a self-reinforcing vicious circle where wealth is channeled toward one narrow elite that has too much to lose by expanding political power to other groups. The evolution of Hispanic America with the legacy of the *encomienda* system introduced by the conquistadors illustrates the consequences of extractive institutions.

But what accounts for the origin of institutional configurations in the first place? Here the authors introduce historical contingency with the notion that key events—or critical junctures in their terminology—interact with existing conditions that may mutate institutions in the direction of inclusive or extractive ones. One example of a critical juncture that affected institutional development in Europe was the Black Death. The plague, which significantly reduced populations and therefore the labor supply, was a major factor contributing to the divergence of institutions in Western and Eastern Europe. In the West, there was a gradual dissolution of feudalism's reliance on serf-based agriculture while in the East, labor shortages led elites to double down on extractive arrangements. Another example of a critical juncture and one with far-reaching consequences for conditions today, was European colonialism that, as the authors point out, left a legacy of extractive institutions throughout the world.

While the analysis provided in the book contains some repetition in elaboration of the thesis, the reader who is patient working through it will be rewarded by the extensive variety of examples the authors use to illustrate their thesis. The examples range from the ancient world of the Aztecs and Romans to the western revolutions in England and France, providing a rich historical narrative. Other examples focus on countries of current policy concern like Somalia and China. The reader will come away from the book with a greater historical appreciation of the processes of economic and political development and an understanding of the relevance of historical experience for countries facing development challenges today.

Although a brief book review cannot do justice to the many nuances in the theory presented, this book's ultimate strength lies with the fact that it is valuable for both scholar and practitioner. From a scholarly standpoint, the book is broadly comparative in a mode that is rarely attempted today. As such, the authors combine the best of a social science approach in an effort to derive generalizations that apply across time and space with the best of history through their recognition of the role of contingency. Moreover, the authors incorporate concepts from some classic social science like Robert Michels' notion of the iron law of oligarchy and Joseph Schumpeter's idea of "creative destruction" as a reminder of the lasting value of older scholarship. For the national security professional, the book offers a caution about using their framework to make predictions or policy prescriptions. Despite the fact that the analysis does not provide a handbook for those engaged in nation-building operations, it goes a long way toward explaining the contours of today's world.