

Why Nations Fail: The Origins of Power, Prosperity, and Poverty
Daron Acemoglu (Author), James Robinson (Author)

This book attempts to explain why certain nations are successful and other nations are not.

They do this from a global perspective. The authors have extensive experience in Africa, and more than half the book deals with the travails of various African nations. Latin America is their second area of specialty. They draw lessons from Africa, Latin America and world history that can be applied throughout the world.

They look at the problems as economic, stemming from the governmental arrangements the countries choose. They say that success favors an inclusive, democratic style of government. More than that, they advocate an inclusive style of civil society. In contrast to inclusive, they name extractive societies and governments. An extractive government is one which creates cartels and monopolies, in which a favored few are able to prosper at the expense of the others. Such arrangements do not favor investment, because there is little protection for private property. They say that this form of arbitrary, extractive government characterizes most of Africa, with the shining exception of Botswana. They say that it also marked the colonial empires of the European powers. Colonists were there to extract, and they did nothing to promote the well-being of the peoples whom they govern.

The authors include a disclaimer in the last chapter of the book. They say that they are economists and they have an economist's point of view. They acknowledge that other social sciences might shed some light on their subject, but they disregard them. This is an accurate statement, albeit a bit disingenuous. It somewhat contradicts their second chapter, entitled "Theories That Don't Work," which takes a stronger stand.

The authors discount alternative theories for the unequal distribution of wealth in the world. One, which they credit to thinkers from Montesquieu to Jared Diamond, is geography. The observation is that people's and hot climates are not as wealthy as people in temperate climates. The counterexamples they offer are Nogales, New Mexico and Nogales, Sonora and North and South Korea. The people and climates in these places are almost identical, but the economies are radically different. They discount the theory of unproductive soils in Africa, as well as the differences Jared Diamond cites in native plant and animal species.

They do not mention others of Diamond's most compelling theories from [[ASIN:0393317552 Guns, Germs, and Steel: The Fates of Human Societies]]. The geography of Eurasia favored east-west diffusion of agriculture. He also theorized that the rivers of Europe and China were more navigable than those of Africa, favoring trade and exchange of innovations. The Sahara, then the malarial tropics, blocked diffusion of agriculture to the African south. Agriculture was thus five millennia later getting started in Africa and the Americas than Eurasia. With agriculture came expanded trade, the invention of writing and arithmetic, and the spread of inventions.

Diamond also theorized that technology interacts with geography. Portugal was poor and peripheral until the 15th century. Most trade was confined to the more protected waters of rivers, the Mediterranean, Black Sea and Gulf of Suez. Henry the Navigator developed sailing technology to the point that the sails could tack against the winds and the boats withstand the open Atlantic. After that trade flourished along the Atlantic coast and, after the voyages of discovery, across the Atlantic and around the Cape of Good Hope. Portugal became central. Conversely, Ukraine and Russia were thrust backwards. The trade routes north up the Dniester and Dnieper, connecting to the Vistula and Gulf of Finland, became less interesting. This book contends that bad governments, extractive rulers alone accounts for Eastern Europe's backwardness. The case can be made that physical isolation made such governments more viable in those places, and that geography did not create such centers of commerce, communication and intellectual activity as in the west.

The open seas and waterways also facilitated communication. North America and Western Europe, with extensive coastlines, dense networks of roads and canals, and later railroads and telegraph, were earlier to benefit from improved communications than Latin America, Africa and elsewhere. This continues today. It is just within the last two decades that microwave links for backhaul, cell towers and WiMAX have brought the hinterlands of Brazil and Africa in full contact with the world. The effect on Brazil has been dramatic. These authors would credit improved institutions alone. That is not the full story.

Cochran and Harpending in [[ASIN:0465020429 The 10,000 Year Explosion: How Civilization Accelerated Human Evolution]] contend that human populations experienced strong selection for increased intelligence after the invention of agriculture. Lynn and Vanhanen performed an extensive metastatistical analysis which would confirm the hypothesis. In [[ASIN:027597510X IQ and the Wealth of Nations]] they did a regression of national income as a function of average national intelligence. Intelligence ranged from 56 up to 107 (Singapore) and income from virtually nothing to over \$50,000/year. The smartest and richest countries are those where the citizenry has the longest history of agriculture and trade. The arguments of "ignorance" and "culture" that Acemoglu and Robinson refute are straw men. Culture can change quickly, and ignorance can be cured. Lack of intellect cannot. The alternative hypotheses, while they do not pass muster for political correctness, are quite strong.

This book will not excite any protests on any college campus anywhere. It absolutely fits all of the popular viewpoints. At the top of the list is the evil white man meme. The authors go out of their way to talk about how evil the Spanish conquistadors, the British colonialists, and all the others were. The authors preach historicism yet judge ahistorically. They preach enlightenment values yet attack the very group that, eventually, originated and spread those values. The conquistadores were no more evil than other men of their time. Their behavior was no more cruel than that of the Indians whom they dominated. The difference is that Western civilization has since evolved to the point that people like these authors of the luxury of being ashamed of their ancestors. We should rather celebrate, as Steven Pinker does in [[ASIN:0143122010 The Better Angels of Our Nature: Why Violence Has Declined]], how far we have come.

The book, entitled *Why Nations Fail*, fails to address one of the most interesting questions of our time. Why do the developed nations throughout the world, the United States, Western Europe, and Japan, seem themselves to be on the edge of failure? This is certainly in part an economic question. Their budgets are almost universally out of balance. They are accumulating debt at increasing rates, as it is evident to every clear minded observer that those debts will never be repaid. There is increasing unemployment. Among the rising generation, people in their 20s, unemployment is over 50% in some of southern Europe. It is chronic and worsening in other parts of this world. Add to that a demographic element. The rising generation is smaller, less educated, and less intelligent than the generation that they replace.

This looks like it will lead with some certainty to an economic collapse. It appears to be something of a catastrophe for the very liberal economic policies that these two authors would like to advocate. It appears to be associated with the fact that the government has taken over more and more of the risks that used to be borne privately. Those risks would be disability, unemployment, old age pensions, and healthcare. The government has done this at a considerable cost in terms of taxes.

Government measures created a moral hazard, in that people no longer take care of themselves. There is also a moral factor to this, in that without the perceived need of a struggle for survival, people lose their purpose in life. There are a certain few entrepreneurs, the brighter people, the upper strata of society, who do find meaning in life and continue to be active. Income is more and more skewed towards them. These are the highly intelligent, highly educated and motivated people who populate Acemoglu and Robinson's world. Everybody else appears at risk of becoming superfluous. They are increasingly displaced by automation. Their labor is not needed and not wanted. They are dispirited, sustained by a government that will not let them absolutely fail. Their cost to society is increasing. Will it lead to a widespread failure? Economists Rogoff and Reinhart in *[[ASIN:0691152640 This Time Is Different: Eight Centuries of Financial Folly]]* think so. Why not these two?

China, though it has its problems, seems to be doing quite well by comparison. They predict it will run out of steam, but will it fail before the societies they would hold up as exemplary in the West?

The book is valuable in its overviews of Africa and Latin America. I benefited especially from their notes on Botswana, and how unique it is. Overall, however, it appears to be constrained by very mainstream thinking and to ignore the most interesting questions.

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Comment

That the West is "failing" is quite an overstatement. It isn't doing as well as it should, but there is a difference between bad news and Doomsday. China still has a long way to go and shouldn't be viewed as an alternative economic model for already developed nations. We'll never compete with their cheap labor, we must compete with their (still) immature technology. Hey, we're in the very position where they yearn to be, what's there to be envious about?

As for the elites, there have always been more entrepreneurially inclined people and people less so. The difference with the past is that the former are being used as an excuse by the elites generally (also including rich heirs, bankers and investors) to pull up the ladder on the non-elites. Budget deficits are a very poor excuse to redistribute wealth from the bottom to the top (you can also raise top tax rates, for example).

You say that improved technology makes many occupations redundant, and you're right. But your reaction to this would be... to leave the redundant workers out in the cold? That's pretty much what happened in the 19th century, resulting in a massive proletariat whose lives were so miserable they inspired Marx to dream up communism. Firstly, theoretically if these workers' jobs are taken over by machines that should mean (in a utopian world) more leisure time for them and not a whit less production. We're already rich, after all. Secondly, and more realistically, the idle supply of basically able and educated citizens should find a use somewhere, just as most modern jobs were created during the industrial revolution. That is, unless we become fatalistic and see increased demand for, e.g., healthcare among the elderly as a budget problem instead of as an economic opportunity to put the jobless to work.

It is not an overstatement to claim that the West is failing. The West is failing rather markedly to sustain the populations that brought it success, by the measures of the fertility rate, the new generation's acceptance of the culture, and through the dysgenic degradation of intelligence. The immigrant populations make up for the deficit of raw numbers, but they do not come close to duplicating the educational and economic success of the native populations.

Demography aside, just about every developed country is running a budget deficit and following the Bernanke/Yellen pattern of printing money. Who am I to claim it won't work? Rogoff/Reinhart merely claim that over the course of the past 800 years it never has worked. If you want to believe in miracles, be my guest. We can only positively identify failure in hindsight.

I do not advocate China as a model, and indeed it shares many of the problems of the West. Among their problems is that labor is becoming too expensive, and labor-intensive work is shifting to Vietnam, Indonesia, Thailand and Myanmar. Economists call this convergence – they are converging upwards to meet the west, which is at best standing still and in many places falling.

I don't understand your point about the elites, though I suspect if I did I might agree with you.

You ask what my reaction would be concerning the redundant workers. I am thankful that problem is not given to me to solve, because I do not believe there is a solution. It is no more than an observation on my part. It is my strong opinion that most people need to assume the responsibilities of work, family and community involvement to give meaning to their lives. An absence of work leaves them merely getting by on government largess while they spend their days watching TV – or worse. Man lives not by

bread alone. I cannot prescribe a moral way out of this dilemma. I have chosen to leave it behind, moving to a country in which, due to an oppressive and inept government, people do need to work in order to survive.