

Daron Acemoglu and James A. Robinson. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. New York: Crown Publishing, 2012. Pp. xi + 529. \$30.00 (cloth).

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In this important and well-written book, the reading public is given an extended exposition of the argument—some of it already familiar to economists from the influential papers of Daron Acemoglu, Simon Johnson, and James A. Robinson (hereafter AJR)—that presence or absence of inclusive economic and political institutions is the most important determinant of the comparative economic success of nations. In *Why Nations Fail* this theme is considerably fleshed out, illustrated by diverse case studies, and made decidedly more entertaining and readable for nonscholars. Attention is given to comparisons of Mexico and the United States, of early modern England and Spain, of North and South Korea, of the Lele and Bushong tribes in what is now the Congo, of late medieval eastern versus western Europe, and of nineteenth-century Japan and China. Other extended discussions concern the histories of Latin America, of the Soviet Union, and of China under Deng vs. under Mao. One could not recommend to one's students a livelier and more striking discussion of the ways in which the organizational arrangements of societies—including the constraints that bind, or fail to bind, their political leaders—matter to economic outcomes.

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Among the book's pluses for me was a broader conception of inclusive institutions than I had been anticipating based on the early AJR papers. In *Why Nations Fail*, checks on monopolization of political power are accorded greater ultimate importance, and at least as much overall weight, as secure property rights. The ideas advanced here seem to closely parallel the view of the mature state and its circumscription by the rule of law as described in Francis Fukuyama's recent book *The Origins of Political Order* (2011).

Now, a few criticisms. While Acemoglu and Robinson make a compelling case for treating institutions as a factor of first-order importance to the determination of national prosperity, it is difficult to know what to make of their insistence that institutions are the only important, or at least the only ultimate, causal factor at work. Indeed, their book seems to provide much evidence to the contrary. In chapter 2, "Theories That Don't Work," they use the supposed

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reversal of fortunes in the Americas, wherein the more economically advanced regions ruled by the Aztecs and the Incas at the time of European contact became poorer than the then-backwards lands that became the United States and Canada, as grounds for dismissing the geographic explanation of long-run development advanced by Jared Diamond and others. Yet they later show clearly that it was the lesser population densities of the United States, Canada, and Australia—density differences driven by unevenness in the siting of early agrarian civilizations in the Americas and their complete absence in Australia—that caused the colonization strategies employed by the Spaniards in Mexico and Peru to be abandoned in favor of encouraging settlement of European farmers, craftsmen, and traders. Given that the same density factor was what created the space for European settlement, what scientific basis exists for conferring on institutions, the choice of which was so clearly influenced by biogeography, the status of ultimate causes of differential development, while refusing comparable status to biogeography? Wouldn't the wiser approach be to allow for a multifactorial system of explanation?

In addition to noting the role of biogeographic factors in determining who migrated where and under what model of colonization, we might ask whether the changes in the geography of comparative development in the Americas really merit description as a reversal of fortune. What happened in the Americas is that nations that came to be populated mainly by descendants of European settlers overtook ones populated by people of roughly one-third Spanish and two-thirds indigenous ancestry. While I enthusiastically endorse the idea that structures of institutionalized exploitation of the indigenous populations in the latter countries set in train factors inhibitory to economic growth, is it entirely beside the point that the indigenous people of Mexico and Peru, though having agrarian civilizations of greater technological and political complexity than others in the Americas, were nonetheless behind the European societies of the time with respect to the harnessing of draft animals for plowing, use of the wheel for transport, working of iron and steel, building oceangoing ships, and availability of sophisticated writing systems through which knowledge of the histories and technologies of societies stretching back more than three millennia were accessible? A simple averaging of the technological advantages of those who founded the contemporary population of the United States versus the ancestors of contemporary Mexicans and Peruvians leads one to expect that the United States would be ahead if there were continuity of technological advantages. In terms of the intergenerational accounting based on people, rather than real estate, I can see no reversal of fortunes in the Americas.

Insistence that only institutions were ultimately of causal significance is also pushed too far, in my view, for the case of sub-Saharan Africa. Absence of sta-

ble, large-scale states in most of that region is almost certainly at least in part attributable to low population densities associated with well-documented climatic, soil, and disease factors. While Acemoglu and Robinson are correct in pointing out that the sub-Saharan populations could in principle have accessed the full panoply of Eurasian technologies and organizational innovations during centuries of contact with Arabia, and while they make a valuable contribution by tying failure to adopt those technologies to political and economic institutions that made African despots like the king of the Congo uninterested in them, there are other cases, including those of the east African coast itself, where it wasn't the presence of local despots but rather the ability of the Arab and Swahili coastal elites to prey on scores of disparate ethnic groups lacking state-level polities, that better explain the lack of transmission of technology. To say that these local tribes were disadvantaged only by despotic political leaders and not at all by the technological backwardness associated with their adaptations to their local environment is like saying that English colonists overran the Powhatan Confederacy due only to the latter's bad political institutions.

I could go on with other complaints—for instance, about the book's treatment of Mao's China as purely "extractive," without recognizing that some basic industrial growth and the laying of foundations for later, more market-based growth by investing in health and literacy occurred there during 1949–79 (as noted in, e.g., Amartya Sen's *Development as Freedom* [1999]). Assignment of post-Mao China also to the same "extractive institutions" box, along with Soviet Russia (and, for that matter, Mobutu's Zaire), suggests categories too coarse to be useful to economic system analysis. But differences of opinion are inevitable when dealing with such broad themes, and it's an indication of the book's importance that it will provide material for study and debate for years to come.

Despite the overzealousness I find in the book's attachment to a unicausal explanation of growth and stagnation, *Why Nations Fail* adds a wealth of powerful insights and fascinating descriptive material to the literature on long-run comparative development. It belongs on the required reading list of any who would participate in the next wave of debate about what can be done to narrow the still-vast gap between the world's rich and poor.

References

- Fukuyama, Francis, 2011. *The Origins of Political Order: From Pre-human Times to the French Revolution*. New York: Farrar, Straus, & Giroux.
- Sen, Amartya, 1999. *Development as Freedom*. New York: Knopf.