

Doran acemoglu's  
and james robinson's  
view of nation's  
prosperity as  
illustrated ...



**ASSIGN  
BUSTER**

The remarkable book *Why Nations Fail*, written by Doran Acemoglu and James Robinson, provides an insightful look into the revolving theories during the past centuries in how to make nations successful and why these theories fail. These theories, namely, the geographical hypothesis, the cultural hypothesis, and the ignorance hypothesis, are theories that lack any relativity with a nation's economic institutions. The authors, by giving an in-depth analyzation of inclusive and extractive institutions, were able to show how other theories failed whereas their theory would succeed. Geographical, cultural, and ignorance hypothesis are all hypothesis that have been proven wrong within this book as well as many instances in history, and thus, should be abandoned. Nations worldwide need to adhere to the theory of economic development discussed in Acemoglu and Robinson's book, and instill this into their societies in order to have a successful nation.

The authors state that there are three widely accepted theories that state why nations fail. However, each of these theories themselves fail to focus on what the problem is really about. The first example of this can be see within the geography hypothesis. According to Acemoglu and Robinson, "geography hypothesis claims that the great divide between rich and poor countries is created by geographical differences" (Acemoglu & Robinson, 2012). However, at this point the reader already knows this theory is at fault since the authors opened up the book with an example to oppose this theory. In the introduction of the book, the reader is described circumstances on both the United States side of the city Nogales, and the Mexican side of the city Nogales. The Arizona (United States) side of the wall has a high level of living quality with low crime rates, high average income, majority of

society with at least high school diplomas, high life expectancy, as well as the help they get from the government such as medical insurance and senior benefits. On the other side of the wall lies Nogales still, however, within the borders of Mexico now. Although the authors state that this part of Mexico is a region that's well-off, their average income is still one-third of that of their neighbors on the other side of the wall. Also, contrary to their neighbors, they risk theft and crime every day in their houses and businesses, their life expectancy is low, and education isn't emphasized. The medical and seniority benefits are nonexistent. On top of all this, the citizens have to sometimes worry about their electricity, and source of water, something that all Americans take granted. Thus, Acemoglu and Robinson's initial example goes on to prove how the geographical location has absolutely nothing to do with the success or failure of an economy.

In addition to that geographic factor, the geographical hypothesis also makes the climate of a nation an element in why that nation succeeds or fail. The climate hypothesis claims that nations that are tropical and with hotter climate have a lower living quality compared to nations with four seasons. This, apparently, is due to the heat and humidity which leads to laziness and ultimately unproductivity. However, whoever came up with the geographical hypothesis completely put out the factor of trade. Trade is what makes global economy happen in the first place. The reason why places like Australia and Qatar, who have hot climates, are thriving is because they're in international trading. Trading allows nations to produce whatever they specialize in, and export that, while importing whatever they lack. By trading, usually everyone involved is better off, that is if they are trading in

what they specialize. Thus, the climate hypothesis within the geographical hypothesis, also has no foundation or evidence to support it.

The second theory, which is the cultural hypothesis, relies on information from a German sociologist Max Weber, and states that “ the Protestant Reformation and the Protestant ethic it spurred played a key role in facilitating the rise of modern industrial society in Western Europe. The culture hypothesis no longer relies solely on religion, but stresses other types of beliefs, values, and ethics as well” (Acemoglu & Robinson, 2012).

What the sociologist Weber meant here is that the industrial society was successful largely due to the existence of the Protestant believers compared to those of a Catholic faith which basically translates into Weber stating that some nations are more successful than others due to their unique cultural characteristics. However, any citizen in the United States can disagree with that. United States, a thriving nation with one of the highest GDP per capita, has a nation mixed with so many different cultures and nationalities. The success, though, of the United States isn't due to them having so many different cultures just as Somalia's poorness isn't due to them just being Somalian. On the contrary, United States is succeeding because they have so many inclusive institutions within their nations that are considerate of people and businesses making incomes easily. They're succeeding because their government isn't ripping their peoples' right to trade and have a free market. Ultimately, there's no cultural contribution to why United States is succeeding. Additionally, majority of the countries, except those that are communist or held by extremist Islamic law, have a mix of cultures within their country now anyway. Every culture has been mixing up together more

than ever before. Thanks to improved technology and transportation, people can travel around the globe more, and choose where they want to live, which ultimately leads to the mix of cultures.

The fault within the cultural hypothesis can also be seen in North Korea and South Korea. Even though the two nations are separated now, they once weren't, and thus, the cultural background between the two countries is virtually the same. The cultures being nearly the same doesn't stop North Korea from being one of the poorest countries whereas South Korea sets the bar high by being on the higher side of the spectrum of high-income nations. The difference in the living standards between these two nations is that in North Korea the government is in the hands of the leader, the ones who are the richest are placed first instead of having equality for everybody, and most importantly, there aren't any inclusive economic institutions to assist the people in their everyday life and their economic comfort. Instead, North Korea is made of extractive institutions that take away from any creative destruction, and/or technological improvement.

Last, but not least, is the ignorance hypothesis. The ignorance hypothesis asserts that " world inequality exists because we or our rulers do not know how to make poor countries rich" (Acemoglu & Robinson, 2012). This theory goes on to represent the idea that poor countries in fact have good leaders that do want make improvements to the country, but don't know how to do so. This is by far the theory with absolutely no evidence to support it. At least, during the cultural or geographical hypotheses, someone arguing for it could give a few examples where culture or geography did have a small factor in the helping a nation succeed. However, with the ignorance

<https://assignbuster.com/doran-acemoglus-and-james-robinsons-view-of-nations-prosperity-as-illustrated-in-their-book-why-nations-fail/>

hypotheses, that chance goes out the door. Acemoglu and Robinson strongly argue against this claim by stating that as long as there's the existence of extractive institutions within a nation, there's the high possibility of the nation creating exclusive gains for the wealthiest within that country.

How then, asks the reader of this essay, does a nation become successful? Acemoglu and Robinson with historical evidence to support their arguments as well as logical reasoning has successfully proven why the geographical, cultural, and ignorance hypothesis have no truth to them and don't apply to the real world. However, Acemoglu and Robinson didn't only criticize these hypotheses, but also provided their own hypothesis to challenge the ones they criticized. According to the authors, it's the type of economic and political institutions within a nation that sets nations apart.

Successful nations tend to have inclusive economic institutions that assist in providing people and businesses to generate their income easily while being able to be a part of a free market. On the other hand, nations with extractive economic institutions, such as those in North Korea and many of the sub-African countries, have societies with much lower living qualities. This is because the extractive economic institutions are controlling everything in the society, and are taking from the general public in order to make the wealthy even more affluent. Acemoglu and Robinson goes onto argue that inclusive economic institutions allows a higher level of productivity within a nation. And even without the book, this makes logical sense, because the existence of inclusive economic institutions allows a free market where there's trade. Trade allows for a nation to be introduced to improved

technology and ideas. These new technology and ideas in turn generate  
<https://assignbuster.com/doran-acemoglus-and-james-robinsons-view-of-nations-prosperity-as-illustrated-in-their-book-why-nations-fail/>

more productivity for the nation which in turn can create more inventions and ideas by getting rid of the old ones. This theory proposed by them is called creative destruction, and it is thanks to this very theory that some nations have been doing well from the very beginning.

As it is evident from Doran Acemoglu and James Robinson's influential book *Why Nations Fail*, the theories that have been believed for so long have clear faults with them and thus can't be trusted. However, if from now nations focus on implementing inclusive economic institutions in their society as well as pave a path for creative destruction, those nations will have a high chance of succeeding in the very near future. The wake-up call Acemoglu and Robinson has shown the world shouldn't be shut down, but instead embraces all around the globe.