

# [An analysis of the different economic bodies and their impact in different countr...](https://assignbuster.com/an-analysis-of-the-different-economic-bodies-and-their-impact-in-different-countries-in-the-book-why-nations-fail-written-by-doran-acemoglu-and-james-robinson/)

Why some nations fail while others succeed have become a mysterious question to many. However, in their book named Why Nations Fail, authors Acemoglu and Robinson have finally revealed to their readers what truly causes nations to fail, which are extractive economic institutions that certain governments have. This paper will be exploring the current type of economic institutions in three different nations by using knowledge from the book Why Nations Fail, as well as historical facts to support the given statements. The countries’ economic institutions that will be explored are Venezuela, Mexico, and Haiti. These countries will also be put into comparison with the United States, a country that has inclusive economic institutions.

Venezuela has been experiencing an economic decline for a long time. According to the article, “ Venezuela is in its third year of recession and according to the International Monetary Fund, its economy is expected to contract 10% this year” (Gillespie, 2016). The main cause of this recession can be tracked down to the leader of the government in Venezuela, Chavez, who focuses government spending excessively on extractive economic institutions. In the book Why Nations Fail by Acemoglu and Robinson, it’s stated that it’s the economic institutions that are the foundation of economic development which is evident through the fact that economic institutions allow people to trade and build their own businesses comfortably.

The topic of economic institutions being the heart of economic growth takes us to the topic of trade. Venezuela, as aforementioned, was a thriving country only a decade ago. This was mainly due to Venezuela being an oil-rich country. The point of trade is for the countries to specialize in whatever they’re doing best and export that while importing what they lack in. The problem with Venezuela was although they were successfully specializing in producing oil, they weren’t really producing anything else or importing any goods from other countries. Additionally, Venezuela wasn’t exporting any of the tremendous amount of oil it’s producing. Through the article, one can discover that Venezuela’s main oil company, which is run by the government, is the main reason why any of these exports or imports aren’t taking place. This again is evidence how extractive economic institutions can ruin a nation.

Because of the economic recession and the lack of trade in Venezuela, inflation has become a tangible problem. Prices are soaring high, and Venezuela has a staggering increase in inflation in 2016 with a 475% (Gillespie, 2016). Not only are prices high, but producers aren’t able to produce because of the lack of trade. This ultimately results in food shortages and suffering citizens. While the citizens of United States can freely go into any Publix or Winn Dixie and shop at their leisure, the citizens of Venezuela wait in long lines outside of super markets only to find out that the last bottle of milk had already been bought 2 hours ago. The food shortages are causing the mortality rates of Venezuela to go up, with more and more children and elderly being malnourished.

Mexico is the second country that is under the exploration of economic institutions. As explained in Why Nations Fail, the reason that Mexico currently has extractive economic institutions is because it’s a country founded up on extractive economic institutions. Historical facts and how a country began its government have a lot to do with its current economic institutions. For example, the reason Mexico is the way it is has to do with how Spanish conquistadors invaded that region and discovered large amounts of gold. Realizing the gold’s worth and seeing how it can be useful to them, they used the region’s natives, forcefully, to mine more gold and silver for them so they can be better off. There an extractive economic institution was created; the Spanish conquistadors were extracting the native’s wealth from them by using the native’ labor to make themselves better off.

Even right now Mexico has many extractive institutions. For example, in the 2013 article, Why Nations Fail & What Can be Done by David Sasaki, it speaks of how the infamous telecommunications monopolist of Mexico, Carlos Slim, have cost Mexico $129 billion (Sasaki, 2013). Although Mexico has one of the slowest and most costly internet speeds, they “ lose $130 billion and Carlos Slim personally gains $80 billion” (Sasaki, 2013). Carlos Slim’s actions are the epitome of extractive economic institutions, and it because of people like Chavez and Slim and the Spanish conquistadors that are the ones who make sure that extractive economic institutions will continue on.

As can be seen, the root of why nations fail lies within their economic institutions. Nations that are successful have mainly inclusive economic institutions. China, a country with extractive economic institutions had a horrible economy only until recently ago. The only reason their economy improved is because they decided to accept technology and trade with foreign countries, instead of pushing them away and secluding themselves. However, China still does have extractive economic institutions, and if other countries don’t wish to trade with them anymore, their economy will return to where it started. As can be seen with Venezuela, Haiti, and Mexico, extractive economic institutions take away from the general public to help the elite. These type of institutions aren’t only bad for the nation, but are immoral and unethical as it leaves people in a chaotic turmoil.