

Why Nations Fail: The Origin of Power, Prosperity, and Poverty. (An Overview)

In this book the authors, Daron Acemoglu and James Robinson, state several reasons of failure and success of different countries around the world. The foremost reason of failure of nations is the control of powerful elites. The powerful elites group plays an important role in the success and failure of a nation (country). In fact, if they support extractive institutions which leads to poverty, and if they support inclusive institution that results in prosperity of a country. Because political and economic institutions interact with each other causing poverty or prosperity. Similarly, inclusive institutions is a mix of pluralism and centralisation. It include everything in itself, certain values of inclusive institutions include democracy, political stability, liberalism and globalization. On other hand, extractive institutions create poverty as it extracts the public from institutions, such as absolutism (absolutist approach in politics), which overshadow economic system and its development. Moreover, the nature of economic and political institution determine the fate of nation. For example,

The success of USA and South Korea as compared to Mexico and North Korea, is because of the nature of its institution. The inclusiveness in institution creates prosperity and extractiveness leads to poverty. Likewise, the critical junctures also change the balance in the society. For instance, the Black Death, increases inclusiveness in England and extractiveness in Eastern Europe. Therefore, myriad of factors are the reasons of nation's failure and success. Additionally, inclusive political institutions complement inclusive economic institutions. For example, political institutions in Britain causes virtuous cycle in other institution. However, extractive institutions creates negative feedback loops by creating vicious cycle. Hence, the powerful elites and establishment of a country can create prosperity and poverty in a nation through its policies regarding the nature of its institutions.