

## Topic # Why Nations Fail?

### Outline

#### A. Introduction

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2. What do we mean by nation success and failure
3. Thesis statement

#### B. Theories Explaining Nations Failure

1. Geographical hypothesis
2. Cultural hypothesis
3. Ignorance hypothesis
4. Critique of above theories

#### C. Role of Institutions in Nations Success or Failure

1. Inclusive institutions
2. Extractive institutions
3. Political institution as foundation
  - a. Example: Democracy
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#### D. Historical and Contemporary Example of Success and Failure of Nations

1. Divergence of North and South Korea
2. Colonial Impact
3. Critical Junctures
  - a. Glorious Revolution (1688)

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b. Post WWII Reconstruction

4. Modern Examples

a. china

b. ~~ukraine vs. Russia~~

### E. Conclusion

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The concept of nations, as we understand today is a relatively recent development in human history. Nations emerged over time as human societies transitioned from tribes and city-states to more organized political entities. Nations emerged through a combination of historical processes, including agricultural societies, need of governance, language, culture etc. The collective progress of a nation decided its success or failure. Some nations perform well in their limited capacity, while others struggle. They thrive with poverty, instability and finally they collapse. They may have advanced technology and globalization. Many theories have explained the reason of failure of a nation. The root cause lies in the nature of a nation's institutions. Countries with inclusive institutions flourish. On the other hand, countries with extractive institutions stagnate. This essay will explore how institutional structures determine national success or failure, using historical and contemporary examples to demonstrate the

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transformative power of inclusive institutions.

Starting with the theories that have explained the reasons of nations failure;

Firstly, the geographic hypothesis that argues that a nation's location and environment play a crucial role in its development.

The presenter of this theory suggested that countries located in tropical regions face natural disadvantages, such as harsh climates, high prevalence of diseases like malaria, and poor soil for agriculture.

These environment challenges hinder the development and progress of a country. For example, countries like African and South America struggle with agriculture that affect food security and economic growth.

Geography alone cannot explain success or failure, another <sup>theory</sup> ~~reasons~~ is cultural hypothesis. It emphasizes the role of societal values, norms, and practices determine

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nations prosperity. This view explain that those societies having strong ethics, trust and cooperation in the work places are more likely to foster economic growth and political stability. The opposite view also explain that cheating, corruption are also reason for the failure in achieving success. For example, it is argued that Protestant work ethic contributed to the rapid industrialization of Northern Europe.

cultural aspects sometimes ignore the behavior that is shaped overtime. The another theory is ignorance hypothesis. It suggests that nations fail because their leaders lack the knowledge or expertise needed to design and implement effective policies. They design the policies opposite to their requirement or need. They implement poor policies related to price control or overregulation, believing they are beneficial. So, poor policies are often intentional or unin-tention to protect their power,

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leads to failure of a nation. While geography, culture and leadership errors offer partial explanations, they fall short of explaining the root causes of nations failure. In the book, 'Why Nations Fail' Acemoglu and Robinson argue that the most significant factor behind a nation's failure lies in its institution. Inclusive institution promotes participation, innovation and accountability. While, extractive institution concentrate wealth and power among elites, stifling growth. Thus, institutions are important factor determining the nation's success and failure.

As discussed earlier, role of institution is very significant for nation's success and failure. There are two types of institutions inclusive and extractive institutions. Starting with inclusive institution foster participation by encouraging individuals and business to engage in economic and political activities without

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unfair restrictions. Those who are engaged in it get what they deserve. These institutions ensure the rule of law, enforce property rights and provide opportunity for education and innovation, which collectively promote long term growth. For example, countries with strong legal system and accountability, such as Norway and South Korea, have achieved sustainable development through open markets and equal opportunities. They encourage the participants which positively impact on their growth.

On the other hand, there are extractive institutions, which concentrate on power and wealth among elites, limiting opportunities for the broader population. It is the opposite view from inclusive institutions. Extractive institutions feature with autocratic leadership, corruption and monopolistic control over resources, which discourage economic progress. These institutions benefit only few people of societies. For example, Zimbabwe's economy collapsed under Robert

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Mugabe's regime due to policies that benefited a select few such as land seizures from productive farmers, resulting in hyperinflation and widespread poverty.

Political institutions also play vital role in shaping economic outcomes. Democracies provide check and balances through free elections, separation of powers and accountable governance, ensuring that leaders act in the interest of the public. Countries with stable democratic government tends to experience stable economic growth because power is distributed, and citizen have a say in policy decisions. For example, the success of many European nations is rooted in political systems that protect civil liberties and promote transparent governance. While other political system as autocratic regime where power is centralized and unaccountable, struggle to achieve growth. These extractive system focus on some individuals.



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Moreover, it can also be seen from historical and contemporary examples that how a nation have achieved success or failure. From the example of Divergence of North and South Korea, they both share the same cultural heritage and geographic conditions, yet their economic outcomes are dramatically different due to their institutional structures. South Korea embraced inclusive institutions, promoting democracy, innovation and open markets, which enabled rapid industrialization and economic growth. In contrast, North Korea developed extractive institutions under authoritarian rule, concentrating power within a small elite, resulting in economic isolation and persistent poverty.

Secondly, the legacy of colonialism demonstrates how extractive institutions imposed on colonized nations have had long term consequences. Colonizers often prioritized resource extraction and exploitation, enriching foreign powers at the

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expense of local population. For example, Congo was subjected to brutal economic exploitation, leading to lasting underdevelopment and instability.

Lastly, certain pivotal moments in history - referred to as critical junctures - have reshaped nations by altering their institutional paths. The Glorious Revolution of 1688 in England is a key example, leading to development of inclusive political institutions, such as parliamentary democracy and property rights, which laid to the industrialization Revolution.

Contemporary cases further illustrate how institutions shape national outcomes. China has achieved rapid economic growth under an authoritarian regime, challenging the notion that inclusive political institutions are always essential for success.

In conclusion, the success or failure of nations depends largely on the nature of their institutions. While geography

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culture, and leadership play important roles, they alone cannot fully explain the difference in national outcomes. Inclusive institutions promote participation and extractive to a few elite.