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# Why nations fail?

## The Outline

### I - Introduction

Nations fail due to extractive institutions. Failure can be prevented through the establishment of inclusive institutions and good governance.

### II - How extractive institutions and inclusive determine the fate of nation?

(A) - Case Study of bordering city of Nogales

(B) - Case Study of 38 parallel line

### III - Inclusive institutions - A mix of pluralism while extractive institutions - A mix of Capitalism

(A) - Case study of Somalia after decolonization

(B) - Case Study of PM Pitt - The younger policies toward French revolution

IV- Failure can be prevented through the packing order of political inclusive institution rather than economical extractive institutions

(A) Case Study of USA and North Korea

V- Attitude of a nation in historical juncture

(A) Case Study of England and Eastern Europe in Black Death.

VI- Extractive institutions lead towards vicious cycle

(A) Case Study of Sierra Leon

(B) Case Study of Syria

VII- Inclusive Institutions lead towards virtuous cycle

(A) Case Study of Sir Robert Walpole domestic policies.

## VIII - How good governance prevent failure

- (A) - Participatory model of Bangalore.
- (B) - Consensus Model of Botswana
- (C) - Transparency model of Mexico
- (D) - Accountability model of Hong Kong
- (E) - Inclusive model of Mozambique.
- (F) - Economic model of NEPAD & SADE.
- (G) - Rule of law model of Singapore
- (H) - Administration model of West Europe

## IX - Conclusion

# The Essay

From Cuzco a majestic capital to the vast territories of modern day Peru, Chile, Argentina, Bolivia, Ecuador, and Colombia, the Inca empire's influence stretched far and wide. The Inca Empire, spanning over 25000 miles of road and encompassing over 12 million people, was a testament to human ingenuity and resilience. Yet empire collapsed due to Spanish who exploited the empire's centralized power structure and introduced extractive institutions. That's why it's not wrong to be said that nations fail due to extractive institutions and failure can be prevented by inclusive institutions and good governance. But it is interesting to look how extractive (how extractive) and inclusive institutions determine the fate of a Nation. Can inclusive institutions really save the Nation?

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Nogales, a city from United State of America and Nogales, a city from Mexico. Both cities are having same name but different countries.

Both cities are having similar geography, similar cultural heritage, and found at the same time but one has strong institutions, thriving economy, high standard of living, and good education while other has struggling economy, low standard of living, poor education and healthcare, and weak institutions. Nogales from United State of America is strong and well established not because of economy or education. It is strong due to inclusive institutions. While Nogales of Mexico is in a bad condition due to extractive institutions.

38 parallel line - A border between North Korea and South Korea. Both countries share same language and culture and both got independence at a same time. South Korea economy is booming while

North Korea is struggling very much. South Korea is having high standards of life, good education, freedom of speech, and good technology. While North Korea is having low standards of life, poor education, no freedom of speech and no technology. This clear comparison of extractive and inclusive institutions. South Korea believes in pluralism while North Korea believe in extreme power.

Somalia after decolonization went under control of extractive institutions which are getting benefits and people are suffering till today poverty, hunger, violence, killings, crimes are normal is Somalia due to lacking of inclusive institutions. While extractive institutions extracting minerals and getting everythings. Power struggle between different groups benefiting extractive institutions.

After 1960 to 1991 almost

100000 people lost their lives.

From 1991-2006 almost 500000 people lost their lives.

According to Human Right watch in Somalia Civil war 500000-1.2 million people died.

In other hand,

Pitt - The younger - UK Prime Minister - At time of french revolution.

He was very liberal and friendly before French revolution. When he witnessed violence,

blood he decided to

take harsh steps such as treason act, No reforms

in army institutions, ban

on unions and gatherings.

These steps was criticized

by many scholars but

many understand his

intentions to save the

country from blood bath.

Due to ~~to~~ inclusive

institutions in United Kingdom

nothing happened, not even

single drop of blood. Due

to inclusive institutions

and need of time he

declared reunion with Ireland.

Due to inclusive institutions

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UK remain safe from French revolution.

Political institutions must have pecking order over economical institutions. In United state of America their are political institution everywhere and they have control, check and balance on economical institutions. political institutions make policies for economic institutions in USA. while in North Korea extractive institutions like economical institutions are part of government. Economical institution make policies for themselves and get benefit from that. So without pecking order of political institutions over economical institutions one country like USA will blooming and high living standards. while other hand economical institutions over political institutions - North Korea - a isolated and low living standard. Actually Extractive



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institutions lead to vicious cycle.

Sierra Leon - rich resources country - is struggling from economy, poor living standards, and poor education. Despite having diamonds, Iron, Ore, and oil. After British left the country, country went into the hands of extractive institutions which used was alarming. Extractive institutions used resources for their own purpose and ignored normal people. A civil war was also result of a extractive institutions which cause almost 50000 deaths. Now country is in a vicious cycle.

After withdraw of French 1946 from Syria. Country went under influence of extractive institutions which lead to civil unrest, corruption and patronage Network. Due to that inequality and human crises rise and a civil war broke out and many people died and

went into dark ages. Extractive institutions like elite enjoying their status and getting benefit while his neighbour Jordan is doing very well because of Inclusive institutions.

Inclusive institutions lead towards virtuous cycle such as Robert Walpole domestic policy. He empowered the political parties in England. He evolved the Cabinet system which lead to strong inclusive institutions. He introduced the "Let the sleeping dogs lie" policy. He adopted a method where state don't interfere in other institutions. This step was bold but it help inclusive institutions to grow stronger and be independent. Similarly he encourages companies to trade and do business out of country which lead to British rule all over the world. It

was by good governance which lead to prosperity.

how good governance prevent from failure as we look into Bangalore's participatory model of governance. Bangalore Municipal corporation has 198 wards each with own committee. Ward committee comprise of citizens, councillors, and experts. They allocate budget 10-20% from local projects. They launched online portal and apps for that. Regular meetings also conducted. This good governance method is reason of inclusive institutions.

Botswana Consensus Model emphasizes national unity and cooperation. The government engages with opposition, parties, civil society, and traditional leaders to build consensus on key policies. This approach has fostered stability and economic growth.

Singapore's rule law model ensures a fair and justice in society. The city state's strong judicial

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system, anti corruption laws, and strict enforcement of regulation have created a stable and attractive business environment.

Western Europe's administration model emphasizes efficiency, effectiveness, and citizen-centric services. Governments have implemented reforms to streamline bureaucracy, enhance transparency, and improve public service delivery.

In inference, Inca empire hasn't fallen if they would have followed inclusive institutions method and adopted good governance. Due to extractive institutions many states have fallen or ~~are~~ on brink of fallen. As

we saw north Korea, Sierra Leone, Somalia and Syria. As author of Book Why Nation Fail said "The most common reason why nations fail.

Today is because they have extractive institutions"