

A Review of Acemoglu and Robinson's *Why Nations Fail*

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Acemoglu and Robinson's *Why Nations Fail* [2012] is a grand history in the style of Diamond [1997] or McNeil [1963]. Like those books, this book is exceptionally fun to read and full of interesting historical examples and provocative ideas. The basic theme of the book is that what matters most in why some nations fail – and others succeed, for the book is as much about success as failure – are not – as earlier authors have argued – economic policies, geography, culture, or value systems – but rather institutions, more precisely the political institutions that determine economic institutions. Acemoglu and Robinson theorize that political institutions can be divided into two kinds – “extractive” institutions in which a “small” group of individuals do their best to exploit – in the sense of Marx – the rest of the population, and “inclusive” institutions in which “many” people are included in the process of governing hence the exploitation process is either attenuated or absent.

Needless to say Acemoglu and Robinson's theory is more subtle than this simple summary. They argue that for any economic success political institutions must be sufficiently centralized to provide basic public services including justice, the enforcement of contracts, and education. Given that these functions are carried out, inclusive institutions enable innovative energies to emerge and lead to continuing growth as exemplified by the Industrial Revolution. Extractive institutions can also deliver growth but only when the economy is distant from the technological frontier. These extractive institutions will ultimately fail, however, when innovations and “creative destruction” are needed to push the frontier. Hence, while success may be possible for a while under extractive institutions continuing success is possible only under inclusive institutions.

It is well known that if you want four opinions you should put three economists in a room. So it will not come as a surprise that we do not agree with everything in the book. Before getting on with the nitpicking and a little bit more there are some important central themes that we strongly agree with. Most especially, the book emphasizes that there is a real sense in which history (and the future) is random. Many small unpredictable incidents or small differences in initial circumstances can lead to either inclusive or exclusive institutions – or more broadly success or failure. This puts the book squarely in the camp of modern economic theory, especially evolutionary theory,¹ which emphasizes the importance of unpredictable events and puts it against more traditional analyses which deemphasize the random component. Both by highlighting the importance of randomness in theory

¹ See the literature starting with Kandori, Mailath and Rob [1993], and Young [1998].

and substantiating it with evidence and anecdotes this book does a real service in helping us understand both history and our own future.

The second crucial theme that needs to be well understood is the potential for bad institutions to block socio-economic innovation with, inevitably, bad consequences. It is not controversial that anarchy and civil war are bad for the economy. Beyond this, governments have promoted all kinds of vested interests and by doing so blocked innovation and growth – and in many cases continue to do so. This idea plays a muted role in earlier work such as that of Max Weber or even Cicero and Plato. Acemoglu and Robinson bring the promotion of vested interests to center stage and focus our attention on the role of political institutions in balancing these interests as the important random component in the development of these institutions.

The classical example, which Acemoglu and Robinson (as well as other writers such as Boldrin and Levine [2008]) have commented on, is that of the great 15th-century Chinese explorer Cheng Ho – whose explorations, and those of his fellows Chinese navigators, came to an end when the emperor forbade them with no apparent explanation other than “we are doing just fine so let’s do nothing and keep things the way they are, thank you”. There are many other examples pointed at by Acemoglu and Robinson. Today one needs only look at the way in which the political system, in the Western world, has been captured by the special interests of the bankers and the intellectual property monopolists, to understand the danger that our, currently inclusive, institutions may turn into something different without most people even realizing it is happening. While the book does not explore this, the authors have spoken out about the contemporary issue elsewhere.

Extractive and Inclusive Political Institutions

Explaining the entire history of humankind by dividing the world into “extractive” and “inclusive” institutions is a daunting task. At one level the notion that “extractive” institutions fail and “inclusive” ones succeed can be a tautology - if we mean that “extractive” institutions are ones that successfully block growth and “inclusive” ones are those that do not. This not what Acemoglu and Robinson have in mind. But lacking an axiomatic definition of what is “inclusive” and what is “extractive” that is independent from actual outcomes, the classification of historical institutions as belonging to one or the other group can end up being based on ex-post evaluations of the outcomes themselves, thereby making the argument circular and subject to a selection bias. As a consequence, while many examples fit their theory well, others are more difficult and the discussion of those examples in the book is sometimes strained. Empirically, when trying to classify a particular set of institutions either as “inclusive” or “extractive”, one has to

face the problem of quantifying what a "small" group of individuals, in one case, and "many, in the other, mean. In what sense were the institutional arrangements of the Roman Empire "inclusive" relative, for example, to those of the Communist USSR? Or in what sense did the Spanish Kingdom turn from "inclusive" to "extractive" between the XV and the XVII century?

Acemoglu and Robinson explain the many examples of growth under extractive institutions by proposing that while these institutions can succeed for a while they must ultimately fail - especially when the societies they rule reach the frontiers of world knowledge. By contrast only inclusive institutions can exhibit continued growth. There is a data problem here: by definition the only institutions that can exhibit continued growth are those still growing today - a limited selection of a historical time. Unfortunately there is no way to know whether our current inclusive institutions will continue to exhibit continued growth in the future. Acemoglu and Robinson argue that China must eventually stop growing because institutions there are extractive. At the moment there is no way to tell if this is true, especially because we certainly cannot rule out that the Chinese institutions evolve into inclusive ones. On the other hand it reflects a strength of their approach that they are able and willing to make a prediction that we may hope to see tested in our time.

By contrast to their view on China Acemoglu and Robinson implicitly argue that the West will continue to grow because our institutions are inclusive. This is a bit ironic since at the moment we are in crisis and the Chinese are not. Will the West continue to grow forever? It may be that, as in past technological revolutions (the Neolithic transition, for example), the current one will play out and we will face centuries of up and down stagnation until some new really really big idea emerges. Or it may be - as frequently occurs and the book documents - that our inclusive institutions will become extractive hence dooming our future. Indeed, based on the evidence of the book one might well speculate that ultimately all inclusive institutions are eventually hijacked and become extractive. The extractive nature of the current crisis does not lead us to suspect otherwise.

The story in the book is complicated. Acemoglu and Robinson argue that the Mayan civilization grew on account of extractive institutions then later collapsed because of these same extractive institutions. Rome and Venice grew because of inclusive institutions then collapsed because good inclusive institutions were replaced in a coup d'etat by bad extractive institutions. The Roman example is a particularly difficult one. Originally under the Republic - which had relatively inclusive institutions - Rome had great economic success. However, when Julius Caesar crossed the Rubicon the Republic died, and after some years of civil war, it was replaced by the

extractive empire. Oddly enough, Julius Caesar's revolt was motivated by the increasing dysfunctionality of republican institutions and, when a few decades later, Octavianus became Augustus and established the imperial peace things got back on track. According to Acemoglu and Robinson the establishment of the imperial institutions should have been - and was - the death knell of Roman economic success. However Rome continued to grow and prosper for several centuries under them and did not fall for nearly four centuries - a much longer time than the time from the beginning of the industrial revolution to the present.²

Other important examples are those of South Korea, Taiwan, Chile, and China all of which had good economic results under non-inclusive political institutions. With the exception of China, all of these dictatorships evolved into inclusive institutions - leading many to wonder if pluralism is the consequence of rather than the cause of economic success.³

Acemoglu and Robinson point to the dramatic contrast between North and South Korea - highlighting the famous night photo of the world in which North Korea is dark and South Korea light. Here two countries that started in the same place wound up very different due to the extractive North Korean institutions and inclusive South Korean institutions - although as we just mentioned South Korea's success began under the dictatorship. But, what about Northern and Southern Italy? The North is a great economic success, the South a basket case living on handouts from the North.⁴ What is the institutional difference between the two? The political institutions are identically inclusive, but in the South socio-economic institutions are indeed more "extractive" - the Mafias block innovation (and quite a lot more), corruption is more widespread, education is worse, productivity is substantially and uniformly lower, and so on. This suggests that political institutions are only part of the story. Indeed the variation is great even in as small a region as Sicily: economic institutions are more extractive in the mafia-plagued West than they are in the more mafia-free East. What is wrong with the Western Sicilians? It may be that they never enjoyed the ancient Greek influence that permeated the East - but that takes the story quite far from the ideas pursued by Acemoglu and Robinson. The Italian example also points to the danger of using satellite photographs as economic evidence: in the same famous photograph the poorest part of Italy

² A good recent treatment of Roman history is Adrian Goldsworthy [2009]. Acemoglu has pointed out in private correspondence that since modern technological progress is very rapid compared to earlier times, there is a sense in which "time moves faster" now - so that it may not be fair to compare 400 years in Roman times to a similar amount of time in the present.

³ For example Olson [2000].

⁴ The problem has been in the political agenda since late 19th century, and not much has been ever achieved. When in the 90's the "Lega Nord" party was founded in the North with the purpose of stopping the transfers to the South it gained almost 20% of votes on national basis.

- the boot - is the most brightly lighted.

While Korea is surely an important case there are examples of transitions from extractive to inclusive institutions which should have led to a great flowering of economic growth yet did not. The shedding of colonial institutions is a case in point. In South Africa and more dramatically in Zimbabwe the extension of franchise to the black population can hardly be regarded as "less inclusive" or "more extractive." Yet despite that fact that the extension of the franchise was also accompanied by the lifting of foreign trade restrictions, in neither case did the more inclusive economic institutions result in a flowering of growth - in Zimbabwe it has been rather dramatically the opposite. Another good example is India, which after independence has had a thriving democracy - institutions that it would be hard to regard as other than inclusive. Economically, however, this great democracy did not result in great economic institutions. For decades India languished - held back not by bad political institutions, but rather by bad economic policies those same good and inclusive institutions kept generating. Indeed, colonialism was so deeply associated with capitalism that socialism took strong hold in many newly independent countries with predictably poor economic consequences. This is especially apparent in India, where political institutions are strong. In India it has not been a change in political institutions that has led to the current growth, but rather the rejection of bad economic policies.⁵

Acemoglu and Robinson are very focused on what happens within nations. They view growth and success as an internal matter, stemming from political institutions, that enables "creative destruction" - what economists often refer to as "competition" - to thrive. In focusing on what happens within nations they do not discuss what seems to be an important ingredient for growth and success - competition between nations. And the fact is that "nations" have changed, evolved, appeared and disappeared over the course of human history. Indeed, the single most important reason why nations fail is because they are destroyed by their neighbors. As best we can tell the institutions of Carthaginian Republic were as inclusive as those of the Roman Republic, but Carthage fell not because of a failure of "creative destruction" but rather because of the not so creative destruction of the Roman armies. Acemoglu and Robinson themselves document the many civilizations - from the East Indies, to the West Indies, to all of North and South America, to Africa - wiped out by the military superiority of Western Europe.

We suspect that Acemoglu and Robinson might argue that failure due to military conquest reflects the fact that the nation in question has already

⁵ See for example Kotwal et al [2011].

lost the technological race. However, this is not always true. Carthage is one case in point. A second are the Italian city-states of the Renaissance: inclusive and progressive institutions that are first overwhelmed and then wiped out by extractive and regressive ones, those of the Spanish, French and then Austrian crowns. The fact is that Acemoglu and Robinson do not seem to do justice to the importance of competition between nations. Nowhere is this illustrated more strongly than in the case of Germany - the case we find the most troubling for the Acemoglu and Robinson theory.

Germany - A Case Study

Starting from the middle of the nineteenth century until the end of the second world war, Germany prospered under extractive institutions - and the brief period of inclusiveness, the Weimar Republic, was an economic catastrophe. It is hard to argue that Bismark's Germany was inclusive in any reasonable sense - it was a state run by elites. The reaction of factory workers to capitalist "exploitation" was legendary: most of the socialist and anarchist workers movements that swept the world originated in Germany. Nazi Germany was one of the most extractive institutions in history - committing genocide against its own citizens and institutionalizing forced slave labor. Yet Germany was economically prosperous, highly innovative, and came within a hair's breadth of world domination. This was avoided largely because of the efforts and good fortune of another extremely extractive country: Stalinist Russia.⁶

Certainly Germany passes the basic test of having an effective central government. It was early to introduce compulsory education (1763 compared to 1880 in the UK), among the first to introduce social insurance, and with one of the most efficient bureaucracies in any state ancient or modern. Yet Germany did not merely play catch-up with England. Germany was the leader of the second - and many argue most important - phase of the industrial revolution - the systematic application of science to industry. Germany dominated the chemical industry: the chemical industry in the U.S. and U.K. were so bad that during the first world war the United States imported certain chemicals from Germany by having them shipped in German U-boats.⁷

In the chemical industry the issue was not political institutions - which Acemoglu and Robinson argue is the crucial consideration - but economic

⁶ The war was won primarily by Soviet efforts. Not only had the Germans been largely defeated when the Western front was opened, but even afterwards nearly 2/3rd of German forces were deployed in the East - see for example the Wikipedia article on the Eastern Front. The good fortune was the unusually severe Winter of 1941-42 that prevented the Germans from taking Moscow. A good discussion of the weather can be found at <http://www.climate4you.com/ClimateAndHistory%201900-1949.htm#1941>; Operation Barbarossa, the German invasion of USSR.

⁷ This is discussed in Boldrin and Levine [2008].

policy - which Acemoglu and Robinson argues is a secondary concern. Yet as Boldrin and Levine [2008] point out, the culprit here was bad economic policy in the U.S., the U.K. and France, where strong patent systems created monopoly power that acted to suppress innovation, while the weaker patent system of Germany, covering only production processes, acted to encourage innovation. Indeed: the U.S. chemical industry was built on the expropriation of German know how following World War I.⁸

The role of patents in the failure of the chemical industry in the U.S. and U.K. and the importance of their absence in the success in Germany and Switzerland highlights how competition between nations works and why it is important. Different nations - for a wide variety of historical reasons - have different economic as well as different political institutions. Those with better economic institutions - weaker patent systems, for example - thrive, while those with less good economic institutions play catch-up. But notice two things. Which economic institutions are "better" or worse" is very hard to say *a priori* other than by making the relative empty assertion that "better" economic institutions are those that allow for more competition and innovation. Further, even the losers benefit from the competition among nations - the U.S. and U.K. ultimately being able to catch up with Germany. As nations compete, some succeed in some things, other nations succeed in others, and ultimately all may enjoy the fruits of the competition.

Historical evidence broadly supports the idea that competition between countries has been a potent force in driving innovation and subsequently growth. Indeed Diamond [1997], following Jones [1987], argues that competition was key to the success of Europe over the rest of the world. In Diamond's view the geography of Europe prevented a monolithic state such as that of China from taking over and preventing innovation. Instead the competition between many small European states protected by geography led Europe to advance ahead of China, first in transportation and warfare enabling Europeans to dominate the world, and subsequently leading to the industrial revolution. To this we might add the geographical factor of England - protected on the one hand by water, and on the other hand acting always to prevent European hegemony by actively siding with the weaker European power. Japan more geographically isolated from the historical center of China (in the South) never played a similar role in Asia.

Nowhere is the importance of the competition between states more clearly demonstrated than during the Second World War. So much innovation took place in that seven year span that the growth in the following thirty years of the century primarily involved integrating the advances made during the war into the civilian economy. Nuclear power? Electronics? Jet aircraft? Rocket

⁸ See for example Petra Moser [2009].

ships? All developed during the war.

In the end the inclusive institutions won the war - although it was close and, as pointed out already, a very extractive institution played a key role in tilting the war its own way. But the extractive - and evil - Nazi institutions of Germany invented and produced the first jet aircraft and guided missiles. So advanced was German rocketry over the inclusive West that the first part of the cold war was a race by kidnapped German scientists to see who would be first to space.

There are lesser known areas of Germany predominance during the Second World War. In both quality and quantity Germany - and the equally extractive Soviet Union - dominated the West in tanks. The U.S. and U.K. never produced a tank comparable to the German Panther or Russian T-34. In the battle of Kursk 2,700 German tanks faced off against 3,600 Soviet tanks. By contrast the swaggering American tank commander Patton's 4th Armored Division comprised less than 200 - inferior - tanks.⁹

In many respects, the extractive Soviet Union picked up in the Cold War where Germany left off at the end of World War II. They may have played catch-up in nuclear power - but they were the first to spaceflight both manned and unmanned, and never gave up their lead in tank technology. Indeed, with respect to the Acemoglu and Robinson theory, one is tempted to point out that Russia did well under extractive communist institutions. These institutions were overturned by a civilian coup-d'état that was enabled by a failed military coup-d'état. The resulting inclusive political institutions oversaw the complete economic ruin of the country.

It may be argued that tanks do not contribute a great deal to social welfare - although if the native inhabitants of North America had had tanks when the Europeans arrived their welfare would have been substantially higher. However, many other technologies pioneered during the second world war had an enormous economic impact. Think of the commercial aviation industry: with pre-war technology we could have our mail delivered by biplane - not exactly Ryan Air for the masses. Without German rocketry we wouldn't have the GPS. The list goes on and on.

The history of World War II and its aftermath is instructive in other ways as well. The inclusive institutions of the world fell into a deep economic crisis with the Great Depression - it was war with the extractive institutions in Germany, Italy and Japan that brought an end to the depression and the flowering of inventions on which post-war economic success was built. It is only after 1970, with the computer revolution, that we see real post-world-

⁹ See the relevant articles in Wikipedia, for example.

war II technology become important. Indeed, the fall of the Soviet Union is often attributed to its inability to keep up with the more decentralized economic model needed to deal with the post-industrial service economy. Acemoglu and Robinson's observation that all exclusive institutions eventually fail, while inclusive ones may continue indefinitely rests in effect on this one data point: the inclusive institutions of the West were able to integrate communications, services and computers into economic growth in a way that more centralized economic institutions did not. This raises our second caveat about the Acemoglu and Robinson theory - it appears that it is the match between institutions and technology that matters, and not that some institutions are intrinsically superior for all technologies. With mass production, extractive institutions appear to do quite well; with the service economy they do not.

The fact is that Germany has done well under all sorts of institutions - as much so under the non-benevolent dictatorship of Hitler as the benevolent dictatorship of Bismark. And it has done well as a post second world war democracy. All of which leads one to wonder: maybe it isn't the institutions that matter? Maybe it is being German that counts?

Vive La Revolution

One issue that Acemoglu and Robinson quite rightly address is how we get from extractive to inclusive institutions. Historically institutional change often takes place through revolution. In some cases extractive institutions replace inclusive ones; in others one group of extractors is replaced by another. Acemoglu and Robinson argue that the key is whether revolutions are broad based or narrow based. While they make a good case, some evidence seems to point the other way.

An important example is the broad-based French revolution of 1789. Yet the extractive monarchy was quickly replaced by the extractive Napoleonic regime which was again replaced by extractive regimes until the advent of the third Republic almost a century later in 1870. Acemoglu and Robinson argue that the eventual emergence of this inclusive regime is due to the original broad-based nature of the revolution. Given the substantial amount of time that elapsed between the revolution and the third Republic this is a difficult argument to make. Moreover, what if Napoleon had not been defeated by overreaching in Russia? It seems unlikely in this case an inclusive regime would have emerged even a century later.

Another case of a broad based revolution that failed to result in an inclusive regime is the Russian revolution. The Dumas was a broad-based organization representing the many groups that participated in the revolution. Yet - as was the French revolution - it was hijacked and turned -

not without some delay – into an extractive regime.

There are many examples also for the other side of the coin – of narrow based revolutions that have brought about inclusive institutions. A particularly simple one is the Italian “Risorgimento” that led to a more open political regime than those pre-existing the country’s unification and to substantial economic growth. It was, nevertheless, a pretty elitist affair. In more recent years, the Spanish transition from dictatorship to democracy was, *de facto*, a coup d’etat carried out by the King of Spain and a relatively small group of political dignitaries.

What It All Means

We agree with Acemoglu and Robinson about what we must fear: the dead hand of vested interests acting to stop innovation. Call it competition or call it “creative destruction” nobody likes competitors and nobody likes to be on the receiving end of destruction. Acemoglu and Robinson’s view is that inclusive political institutions can be vaccine against the dead hand of dying monopolists, while extractive political institutions spread the infection. Their book is optimistic: we in the West can look forward to a future of innovation and prosperity because of our good inclusive institutions while - for example - the Chinese are doomed. We wish we were so certain of the future of the West, but “good inclusive institutions” are as susceptible to hijacking by vested interests as any other. We see the vines of ever increasing patents spreading their poison throughout our democracy and strangling innovation just as we need it the most. We wonder, how can that be stopped? We see the dead hand of a dying industry of a few large movie studios and recording studios hijacking the much larger and vastly more important computer industry. We wonder, how can that be stopped? We see the dead hand of the banking industry sucking the tax revenues of entire countries into its maws to feed its bad investments. We wonder, how can that be stopped?

At the end of the day, everything seems to be politics: “When there is conflict over institutions, what happens depends on which people or group wins out in the game of politics” (p.79). If inclusive political institutions determine inclusive economic institutions we must ask how we get there. Centralization and pluralism it seems. It is clear enough what centralization means, and the Somali example of group anarchy makes the point vividly. Unfortunately the implementation of a broad distribution of power is not as transparent - certainly not at the level of complexity of modern societies. Are universal suffrage and political freedom enough? Today it seems that is not the case. Many people living in democratic countries feel disconnected from their representatives. They feel uneasy and they don't know what to think. Universal suffrage is traditionally thought as equivalent to democracy but it is not. And as discontent grows, the man-in-the-street is ever more

prey - as is any desperate person - to hucksters and charlatans. Look no further than the rise of Syriza in Greece. Syriza promises to renege on the sovereign debt, yet the simplest calculation shows that more money flows into Greece in subsidies than leaves Greece in debt payments. Cancelling the two will be a disaster of huge proportions - yet many Greek voters support Syriza. As expectations of an impoverished future generated by the current crisis eliminate incentives for cooperative behavior in the present we see ever more dangerous economic policies and movements ranging from governments which hide their heads in the sand unwilling to take on vested banking interests to the ever more widespread hostility toward immigrant groups.

The current crisis revolves to a large extent about debt. This is not a new phenomenon - in the past conflict over repayment of debt has led to revolution. Both the French Revolution and the rise of Nazism stemmed from debt crises.¹⁰ We wish in a book about why nations fail there would be deeper consideration of the role of debt and are left to wonder: when the failure of government in the United States and Europe to deal with the debt problem results in revolution, will we get a Magna Carta? Or a Napoleon?

The current global debt problems lead us to further reflect on conflicts over institutions. Does excessive debt typically cause inclusive institutions become extractive? Debt is highly extractive towards future generations. The dynamics are intriguing - the only way future generations can win the political game is through the implicit threat not to pay when the time comes. From this perspective the market with its "speculators" is important as an actor which disciplines governments.

Acemoglu and Robinson focus on nations, yet in the modern era transnational institutions have become increasingly important. If we want to understand the future as well as the past we cannot ignore them. From the European Union to the United Nations to multi-national corporations and NGOs transnational institutions are an increasingly significant part of our world. Here understanding the importance of competition between nations cannot easily be dismissed. Take political views in the United States. Both

¹⁰ French public finances had been in bad shape since the Seven Years War (1756-1763) and being unable to further raising taxes France financed its participation in the American War of Independence (1775-1783) by issuing debt. In August 1788 repayments on government loans were halted and the government became bankrupt. The meeting of the Estates General was called specifically to solve the financial crisis, and revolution broke out in 1789 within months after the Estates General refused to address the financial crisis and instead demanded political power. See, for example William Doyle [2002]. The rise of Hitler to power occurred under similar conditions. After hyperinflation of the early 20's the United States helped Germany out of trouble. When the U.S. was hit by the Great Depression financial aid to Germany came to an end, and Germany was plunged into depression as well, with national income falling by 25% between 1929 and 1932. In 1931 it was hit by a banking crisis, in 1932 war repayments were suspended and in 1932 the country defaulted on foreign debt. Hitler took power in 1933. See, for example, Martin Kitchen [2011].

the left and the right agree there should be a hegemonic world government. The left favors an inclusive regime which they naively imagine will be led by the infinitely corrupt United Nations. The right favors an extractive regime imposed by the United States through military force - notwithstanding the inability of the United States to impose itself even on the smallest and weakest of nations. One may debate the relative merits of these two schemes - but if either ever becomes effective, competition between nations will effectively cease.

The United States has been extremely effective in imposing on the world a hegemonic regime restricting trade in recreational drugs and for "intellectual property." Here we see the seeds of an unpromising future. The drug war has caused the collapse of inclusive regimes in countries such as Mexico and makes impossible the emergence of inclusive regimes in countries such as Afghanistan. The U.S. intellectual property regime - often imposed through trade agreements and non-democratic backdoor deals - for example with the European Commission and the Canadian cabinet - is even more pernicious. Unlike real property, intellectual property is everywhere the enemy of competition and "creative destruction." Competition between nations with different intellectual property regimes has been essential for preventing "intellectual monopolists" from suppressing innovation through excessive copyright and patent law. Had the Wright Brother's absurd U.S. patents been enforced in France we could today be still waiting for airplanes, or at least for advanced avionics. If English copyrights had been enforced in the United States in the XVIII and XIX centuries, education - and growth - would have been stunted.¹¹ So the one point we should have in mind is this: world government of whatever form is dangerous and will break the back of innovation. It will enable the dead hand of tired monopolists to impose their will world-wide.

It is easy to make prescriptions impossible of fulfillment. Benevolent dictatorship is no doubt the best form of government - but how do we arrange for benevolent dictators? Democracy is best provided if it isn't hijacked by elites or overrun by populism. But how do we prevent that? These are the crucial questions for our future, and while classifying the world into "inclusive" and "extractive" institutions is helpful to our understanding it does not provide a definite answer to this fundamental question.

So: this is a great book and a great read - go and get it. As with any good book it is provocative, so don't forget to bring a healthy dose of skepticism. And while learning why nations fail may put us on the path to preventing their failure - sadly we are not there yet.

¹¹ See the discussion of the history of patents and copyright in Boldrin and Levine [2008].

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