

Book Review:  
Acemoglu, Daron and Robinson, James, A.,  
2011, Why Nations Fail, New York: Crown  
Business

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## 1 Good Luck!

So Mubarek is gone. Will Egypt be the next South Korea? Well, it all depends on institutional drift and on the critical junctures. If inclusive political institutions emerge after the Arab Spring then inclusive economic institutions may follow.

Let me spell out what I conclude after reading the book, *Why Nations Fail*. The backbone arguments all come from Robert Brenner, a Marxist historian, without really mentioning the intellectual debt. The primacy of "relations of production", read as the political institutions, is well established by Brenner in his comparative historical studies concerning the bourgeoisie revolution and emergence of capitalism in Britain. Acemoglu and Robinson extend and polish this thesis.

The process is not irreversible.

"King John didn't like the Magna Carta, and as soon as the barons dispersed, he got the pope to annul it ." AR(2011: p.185)

## 2 State Capacity: A Curious Animal

How could British state spend as much as 10% of national income in late 17th century. Note that, the state budgets in Colombia reached this level only in the 1980s, almost three centuries later. Political centralization and legitimacy all play vital roles in the building up the state capacity.

### **3 Riots and Revolutions**

Peasant Revolts of 1381 signalled a shift in the balance of power, albeit very slowly, between the Elite and the People. Therefore, the Peterloo Massacre of 1819 did not undo the political reforms, instead the Elite had to give away many privileges gradually afterwards.

### **4 Extractive Institutions and Inertia**

In Egypt the first printing press was established in 1797.

"In 1800 probably only 2 to 3 percent of the citizens of the Ottoman Empire were literate, compared with 60 percent of adult males and 40 percent of adult females in England". (AR: p. 215)

Take Habsburgs. Friedrich von Gentz, one of the Metternich's assistants, declared that

"We do not desire at all that the great masses shall become well off and independent...How could we otherwise rule over them?" (AR: p.225)