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Whether Poor or Rich: Institutions Matter

The authors find that institutional planning is critical to the economic development of poor countries. In fact, poor countries need to focus on the economic ramifications associated with the institutions that best suit their culture. In the cases of African states, this is highly critical to the success of countries.

Eliminating Poverty

William Easterly brings to light the choices of individuals in impoverished countries. Easterly restates common notions of wealth leading to a better quality of living. But, he also highlights that being poor is not simply about a low GDP. Impoverished countries have a number of factors that contribute to the low quality of life of citizens such as high death rates, famine, and oppression of the poor to name a few reasons. Richer countries have a high percentage of change in growth relative to poorer countries. Easterly suggests two solutions. First, if counties adopt institutions that lead to a higher change, then the likelihood of poverty declines. Second, if wealth is redistributed, then poverty also declines.

Diverging Inequality of States

By provocatively describing that countries are diverging, and not converging, Lant Pritchett rebuts convergence theory. The sample set for prior studies on convergence are misleading according to Pritchett. Because other sample sets do not represent countries that are not converging, it is fairly obvious in how diverging countries are not represented in the data. In other words, converge happens in wealthy countries, and has over the past 150 years. But, by factoring in poor countries, divergence is the more general trend over time. Poor countries are getting poorer, and richer countries are getting richer. This implies that there is not a panacea to growth, and that poor countries need to develop what works institutionally for their specific conditions.

Convergence through Successful Institutionalization

Branko Milanovic notes that convergence happens in larger countries, like China and at a smaller scale in India. Reforms in China and India during the 1970's have increased the wealth of the two states. Milanovic finds that in the two cases, China and India are no longer poor countries. He implies that international convergence happens if the poor countries adopt the appropriate polices and implement institutions that are intended for poor countries. Said differently, the circumstances of China and India are different, and thus different strategies for growth were implemented.

Investment of Africa

In examining the reasons that African countries grow historically more slowly since their independence, Paul Collier and Jan Willem Gunning find that African countries grow relatively slower when compared to their Western counterparts. By reforming internal policies, African countries can set a trajectory towards a prosperous and wealthy future. Collier and Gunning find that it is policy, rather than destiny which defines the outcome of states. Previously, the external policy of states impacted countries under colonial rule, but after decolonization the internal policy of states impacted their growth more. Specifically, investing in GDP in growing the wealth of African states would benefit all parties involved in the investment.

Not Democracy, but Economic Institutions

Robert Barro asks the relationship between democracy and the impact of economic growth. He finds that democracy does not have a strong tie to growth. Barro suggests that economic institutions have a greater impact on the development of any state. In fact, Barro implies that free markets and guaranteed property rights are more important. Not only do they allow for growth, they impact the stability of changing economic conditions. Barro describes that poor countries do not have as strongly defined economic institutions and that they need to be improved.

Democracy does not always trump Dictatorship

Adam Przeworski et al. discover that democracy protects workers rights, and workers receive more of a share in the prosperity of a state. But, investment is key. And moreover, countries that can afford democracy will have a higher potential to invest. The costs of democracy can outweigh the benefits since a dictatorship has more autonomy over the working class. If those costs can be outweighed by benefits, then the investment in the state has a higher likelihood of success, however. Furthermore, Przeworski finds that states that improve investment through dictatorship are better suited in maintaining their dictatorship.

Implications

William Easterly suggests that eliminating poverty of individuals is the strongest factor confining a state to poverty. Lant Pritchett describes the need for poor countries to develop institutions that suit their conditions due to the lack of a panacea or widely successful formula for escaping poverty. Branko Milanovic suggests that not only is economic growth circumstantial, but also appropriate implementation of institutions dramatically impacts the effective change in growth. Paul Collier and Jan Willem Gunning attempt to convince that investment in Africa is vital for the success of African states and states like them. Robert Barrow finds that it is not democracy, or lack thereof, but strong economic institutions that make the difference between poor and rich states. Adam Przeworski finds that poor countries are not as impacted by their dictatorship as richer countries, and that the benefits of democracy must outweigh the costs associated with it. All of the authors find that poor states must focus on the institutions in place, and must find ways of reforming them.