

# BAS VAN DER VOSSEN | Facts About Global Justice

**Review of: Daron Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (New York: Crown Business Publishing, 2012).**

•

*Why Nations Fail* is an important book. It presents a powerful statement of a plausible approach to understanding global development and poverty. And it does so in a very clear and engaging way. This book deserves to be read widely.

*Why Nations Fail* is especially important for those interested in ethical issues of development, poverty, and global justice. The book convincingly identifies certain key causes of prosperity, inequality, and poverty. Acemoglu and Robinson point us in the direction of the kinds of institutions that are necessary, and perhaps sufficient, for lifting billions around the world out of their current conditions of poverty and into conditions of lasting prosperity. No philosopher or political theorist working on global justice can afford to ignore this book.

## Overview

Most of the book is developed to illustrate and defend a relatively simple thesis. The main reasons why some countries are rich while others are poor are not their geography, disease-burden, culture, or knowledge of economics. Instead, rich countries are rich because they developed good institutions, and poor countries are poor because they developed bad institutions.

*Why Nations Fail* thus contributes to the case for the so-called institutionalist approach to development. Acemoglu and Robinson are prominent exponents of this approach together with other noted economists like Douglas North, David Landes, Dani Rodrik, and others.

The book also stresses an important refinement to that approach. *Why Nations Fail* shows that development is due not merely to getting the economic institutions right – something generally recognized by economists, if not always by philosophers (more on that below) – but also requires good political institutions – something generally recognized by philosophers, if not always by economists.

To distinguish good institutions from bad ones, Acemoglu and Robinson introduce the terms *inclusive* and *extractive* institutions, respectively. The main

difference has to do with whom these institutions empower, and can therefore be expected to benefit. Inclusive institutions empower people across society, and thus tend to benefit all. Extractive institutions empower only some, and thus tend to benefit only small groups of people.

On the political side, inclusive institutions require a state that strikes a tricky balance between a reasonable level of centralized power and pluralism. By pluralism Acemoglu and Robinson mean the representation of many different groups and interests in society, through free and competitive elections, governed by the rule of law.

Inclusive political institutions uniquely avoid two kinds of destructive outcomes that are at opposite extremes of a spectrum of political violence. On the one extreme, there is anarchy and civil war. These are the result of insufficient political centralization. On the other extreme, there is tyranny, oppression, and rent-seeking. These are the result of too much concentration of power into the hands of some. Societies that find themselves too close to either extreme contain extractive political institutions.

On the economic side, inclusive institutions secure people's rights to private property, including private property rights over productive resources, and allow these to be held broadly across society. These allow societies to experience the kinds of specialization, exchange, investment, and innovation that increase productivity. Acemoglu and Robinson write:

Inclusive [economic] institutions [...] are those that allow and encourage participation by the great mass of people in economic activities that make best use of their talents and skills and that enable individuals to make the choices they wish. To be inclusive, economic institutions must feature secure private property, an unbiased system of law, and a provision of public services that provides a level playing field in which people can exchange and contract; it must also permit the entry of new businesses and allow people to choose their careers [...]. (pp. 74-5)

Extractive economic institutions, by contrast, are those that limit or altogether prevent the ability of people across society to individually own private and productive property, engage in commercial and profit-seeking activities, and enjoy the fruits of their investments and innovations. Such institutions stifle productivity.

A key theme of *Why Nations Fail* is the relation between political and economic institutions. Inclusive economic institutions are the basic engines of growth and prosperity. But such institutions do not operate in a vacuum. They need backing

up by broadly dispersed political rights. Only when coupled with inclusive political institutions can growth be sustained.

Once extractive political institutions are in place, extractive economic institutions soon follow. When those in power no longer face pressures to maintain an economic system in which all can participate and profit from their own productive activities, they tend to reform the system to bolster and protect their private gains. The effects, Acemoglu and Robinson summarize, are ugly:

Nations fail today because their extractive economic institutions do not create the incentives needed for people to save, invest, and innovate. Extractive political institutions support these economic institutions by cementing the power of those who benefit from the extraction... In many cases, as [...] in Argentina, Colombia, and Egypt, this failure takes the form of lack of sufficient economic activity, because the politicians are just too happy to extract resources or quash any type of independent economic activity that threatens themselves and the economic elites. In some extreme cases, as in Zimbabwe and Sierra Leone ... extractive institutions pave the way for complete state failure, destroying not only law and order but also even the most basic economic incentives. The result is economic stagnation and – as the recent history of Angola, Cameroon, Chad, the Democratic Republic of Congo, Haiti, Liberia, Nepal, Sierra Leone, Sudan, and Zimbabwe illustrates – civil wars, mass displacements, famines, and epidemics, making many of these countries poorer today than they were in the 1960s. (pp. 372-3)

It is important to stress here that Acemoglu and Robinson do not deny that economic growth can occur under extractive institutions. Such ‘extractive growth’ can happen either because of strong policies of state investment in highly productive sectors of the economy (as in Caribbean slave-economies from the sixteenth until the eighteenth century, or the Soviet Union until the 1970s), or because pockets of inclusive economic institutions exist in a larger extractive setting (as in South Korea in the 1960s and 70s).

But such growth never lasts. Extractive economies sooner or later stop growing, or collapse altogether, due to a lack of innovation, state incompetence, conflict and corruption, or the withering away of whatever small inclusive parts may have existed. Only inclusive economic institutions, protected by inclusive political institutions, can offer the kinds of sustained investment, innovation, flexibility, and creative destruction that create a continued path of growth and prosperity.

The upshot is that *Why Nations Fail* presses on us some painful truths. For example, it underlines just how difficult it is to achieve lasting development in

poor countries. The path to inclusive institutions is extremely elusive, full of pit-falls and path-dependencies. In this way, *Why Nations Fail* demonstrates the extremely destructive effects of colonialism. Colonial rulers typically set up extractive institutions to enrich themselves. But once in place, these institutions became difficult to dislodge. Poor countries stay poor, then, even after the initial oppressors have left. And so-called liberation movements all too often consist of local extractive elites picking up where foreigners left off.

One lesson Acemoglu and Robinson draw from this is that a number of standard proposals found in the literature on global justice, global ethics, and development are unrealistic. For example, it is unrealistic to think that poverty can be fought by redistribution or foreign aid alone. The logic of extraction implies that such attempts will either be stymied by the same institutions that caused poverty in the first place, or (worse) help line the pockets of those doing the extracting. (pp. 450-5)

Acemoglu and Robinson have little more hope for the recently more popular solution of so-called authoritarian growth, in which strongly centralized states aggressively pursue policies of rapid industrialization. For, as with extractive growth in general, such policies sooner or later run out of steam unless they are backed up by inclusive political and economic institutions. Indeed, they might even recreate the conditions that caused poverty and oppression in the first place. (pp. 437-46)

These conclusions will be controversial, of course. And there are reasons for concern about some of the arguments Acemoglu and Robinson develop. For example, the definitions of inclusive and extractive institutions used in *Why Nations Fail* are rather vague, and perhaps too vague to usefully distinguish between different (and more informative) versions of the institutionalist approach. This may misleadingly suggest a greater coherence between the various cases Acemoglu and Robinson discuss than actually exists.

Another reason has to do with what is no doubt the most ambitious claim in *Why Nations Fail*. Acemoglu and Robinson argue not just that inclusive economic and political institutions are necessary conditions for sustained development and growth, but that they are sufficient. It is unclear whether such a strong thesis can be maintained. Acemoglu and Robinson wish to exclude the factors of geography, culture, and economic knowledge altogether from the account of development. But is it not unfair to say they are harder on those rival theories than they are on their own.

But none of this should distract us from the book's main achievement and lessons. And the main lesson is clear: no country has ever experienced sustained

economic development without inclusive economic and political institutions. Escaping poverty and creating prosperity requires the broad enjoyment of private property, economic freedom, the rule of law, and a democratic state.

### **Relevance for Theories of Global Justice**

It is hard to overstate the importance of these findings for theories of global ethics and global justice. All such theories aim at the eradication of poverty across the globe. And all such theories are (therefore) to some extent applied and practical in their implications. Thinking about global justice thus cannot proceed in isolation from the state of the art of empirical thinking about these issues. And the best evidence, of which *Why Nations Fail* is a part, tells us that, whatever else we do, we need inclusive political and economic institutions everywhere.

By and large political philosophers and theorists have accepted this with respect to inclusive political institutions. Many defend a variety of (human) rights that would call for and support such institutions. There are numerous sophisticated justifications of rights to democracy, political participation, education, and social inclusion.

But philosophers and theorists have been slow to accept that good economic institutions are equally important. Without such institutions, development stands no chance. So whatever else we do, our attempts to eradicate poverty must include policies that enable and encourage continued economic growth and productivity across the globe. This includes robust protections for private property rights, entrepreneurship, economic liberty, and innovation and investment.

These insights have not been sufficiently recognized in the theoretical literature on global justice. Perhaps the most prominent example are those ethical theories that focus primarily on the personal duties that poverty imposes on us. Peter Singer, no doubt the most famous philosopher to hold such a view, writes that people in rich countries ought to give away large parts of their income to organizations such as Oxfam. His argument (in rather simplified form) goes as follows:<sup>1</sup>

1. If we can rescue people from desperate conditions, without thereby giving up something of moral significance, then we ought to do so.
2. Most people in rich countries can rescue the global poor from their desperate conditions, without thereby giving up something of moral significance, by giving away large parts of their income.
3. Therefore, most people in rich countries ought to give away large parts of their income.

---

<sup>1</sup> The *locus classicus* of this argument is Peter Singer, 'Famine, Affluence, and Morality', *Philosophy and Public Affairs* 1/1 (1972), 229-43. For a more recent statement, see Peter Singer, *The Life You Can Save* (New York: Random House, 2010).

Insofar as philosophers have criticized Singer's argument, they have tended to focus on premise (1) of his argument. But works like *Why Nations Fail* show us that the more serious problem with this argument is premise (2).

Premise (2) is false not just because much of the money given to those who live under extractive institutions will go to waste. This almost no one denies, but it also does not really affect Singer's argument. Even if we have to waste \$90 in order to get \$10 in the hands of the global poor, giving away \$100 is still worth our while.

The real problem, instead, is that wasting money *while not addressing the sources of poverty* can be truly disastrous. Suppose rich people in the West give away most of their money. And suppose that, as the institutionalist theories suggest, giving away our money does nothing to remove the sources of poverty. What will be the result of such an approach? It will not be that poverty in the world is alleviated. For most of the money has either evaporated or, worse, lined the pockets of those in charge of the institutions that create poverty in the first place. At this end, little change will (tragically) occur.

At the other end, however, we can expect real change. Singer's solution will likely mean that standards of living in the West dramatically decline. When we give away the money we would otherwise have used for our expensive jewelry, we do not just lose that jewelry. The jewelry stores lose business. And when stores lose business, employees lose their jobs. Similarly, suppliers to jewelry stores lose their business, and their employees will lose their jobs as well. And the people providing the things on which all these people would normally spend their money, will lose their business, income, and jobs as well.<sup>2</sup>

This is not a recipe for helping people escape poverty. It is a recipe for making the entire world poor. In his original article 'Famine, Affluence, and Morality', Singer seemed to realize this. He wrote: 'From the moral point of view, the prevention of the starvation of millions of people outside our society must be considered at least as pressing as the upholding of property norms within our society'.<sup>3</sup> *Why Nations Fail* shows that this is irresponsible. We ought not to mess around with the system of property where we are fortunate enough to find

---

2 I am, of course, speaking in grand generalizations. And there are important exceptions to the long list of philosophers who ignore the empirical evidence on development and growth. For examples (of different outlooks and backgrounds), see Leif Wenar, 'What We Owe to Distant Others', *Politics, Philosophy and Economics* 2/3 (2003), 283-304, Leif Wenar, 'Poverty is no Pond', in Patricia Illingworth, Thomas Pogge, and Leif Wenar (eds.), *Giving Well: The Ethics of Philanthropy* (Oxford: Oxford University Press, 2011), 104-132, and many of Wenar's other excellent articles; Dale Jamieson, 'Duties to the Distant: Aid, Assistance, and Intervention in the Developing World', *The Journal of Ethics* 9/1-2 (2005), 151-70; David Schmidtz, *Person, Polis, Planet* (Oxford: Oxford University Press, 2008), pp. 145-64; Mathias Risse, 'What We Owe to the Global Poor', *The Journal of Ethics* 9/1-2 (2005), 81-117; Mathias Risse, 'How Does the Global Order Harm the Poor?', *Philosophy and Public Affairs* 33/4 (2005), 349-76.

3 Singer (1972), p. 237.

it working reasonably well. The odds of creating and sustaining such systems are very small indeed.

In his recent book *The Life You Can Save*, Singer takes a different approach. Instead of advocating the abolition of Western property systems, he now says he wants people to give only as much money as will not threaten to undo prosperity altogether. But this has not stopped him from continuing to claim that people in the West ought to give away large chunks of their income. Without offering any evidence, Singer confidently asserts that following his prescriptions will not lead to negative economic results.<sup>4</sup> Let's say the jury is out on that one.

The objection here can be put more precisely. Suppose we accept Singer's principle that we ought to rescue people when we can. Singer proposes that we try to save as many people as we can *right now*. But if we do what Singer tells us to do, we will lose the ability to rescue equally poor people in the future. The problem, then, is that achieving optimal savings today is not the same as achieving optimal savings over time. Whatever is attractive about Singer's moral premise, however, is not just attractive today. So if anything, we ought to try and achieve optimal savings over time. The cost of following Singer's recommendations is the failure to do just this.

The lesson is that the sources of economic productivity (commerce, investment, exchange, innovation, etc.) and the benefits of the prosperity they bring about cannot be so easily separated as Singer and others suppose. To really help the global poor we need to find a way to rescue the global poor from their dire circumstances without thereby sacrificing the conditions of growth and prosperity that make rescue possible in the first place. The depressing truth is that this highly limits what we can do to help the poor. But the uplifting truth is that solving poverty in one place need not involve undoing wealth in another. What really solves poverty is for people to have access to inclusive institutions.<sup>5</sup>

4 Singer (2010), pp. 38-9. Indeed Singer asserts that giving away our money will lead to global growth because it will end poverty around the world. I agree that ending global poverty will be a great benefit to both the poor (obviously) and the West. But there is no reason to believe that following Singer's prescriptions, when separated from institutional changes, will get us there.

5 Let me emphasize three points. First, again, I am *not* denying that we have duties of aid or charity. I believe we do have these. The problem is that following Singer's prescriptions is no way to fulfill these duties. Second, in my view, the best thing we can do to give the global poor access to inclusive institutions is just that: open the borders. Finally, the claims I have (rather quickly) put forward in the text are not based on the claims of *Why Nations Fail* alone, impressive though it is. For other works supporting these claims, see Douglass North, *Institutions, Institutional Change, and Economic Performance* (Cambridge: Cambridge University Press, 1990); David Landes, *The Wealth and Poverty of Nations: Why Some are So Rich and Some So Poor* (New York: Norton, 1998); Robert Hall and Chad Jones, 'Why Do Some Countries Produce So Much More Output Per Worker Than Others?' *Quarterly Journal of Economics* 114/1 (1999), 83-116; Dani Rodrik, Arvind Subramanian and Francesco Trebbi, 'Institutions Rule: The Primary of Institutions over Geography and Integration in Economic Development', *Journal of Economic Growth* 9/2 (2004), 131-65; William Easterly and Ross Levine, 'Tropics, germs, and crops: how endowments influence economic development', *Journal of Monetary Economics* 50/1 (2003), 3-39; William Easterly, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* (Oxford: Oxford University Press, 2006); Hernando De Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (New York: Basic Books, 2003), among many others.

### Where to Go from Here?

The philosophical literature on global justice and ethics contains disturbingly many theories that proceed in ways that are strangely disconnected from the best empirical studies about poverty and prosperity. Sometimes the empirical insights are simply set aside or even ignored. And even those who do engage with them or focus on the role of institutions frequently fail to see the forest for the trees. Hence, we read proposals for new global institutions (ignoring that the quality of domestic institutions is at least as important), we see arguments for extensive redistribution (ignoring that such policies will be counter-productive if not accompanied by institutional changes in developing countries), and so on.

The most important lesson that *Why Nations Fail* (and other works like it) contains for philosophers working on global justice is this: getting our economic institutions right is just as important as getting our political institutions right. And the evidence strongly indicates that this means endorsing market societies, with strong property rights over private and productive resources and economic freedom for all.

It is hard to say why these facts have been ignored or denied by philosophers for so long. Perhaps the hostility toward inclusive economic institutions is that they are seen as contestable parts of neoliberal, libertarian, or other free market perspectives. But this is to miss the point. Among the most exemplary inclusive countries are European welfare states like Denmark, Sweden, and Germany. Strong property rights and robust economic freedom are compatible with a variety of redistributive policies. *Why Nations Fail* is far from a libertarian manifesto. And if even those countries are too much market-oriented for our taste, well, I propose we get over it. There is simply too much at stake.<sup>6</sup>

---

*Bas van der Vossen*  
University of North Carolina Greensboro  
Department of Philosophy  
email: [b\\_vande2@uncg.edu](mailto:b_vande2@uncg.edu)



---

<sup>6</sup> I would like to thank Julian Culp for his many insightful and constructive remarks.