Why Nations Fail

THE ORIGINS OF POWER,
PROSPERITY, AND POVERTY

Daron Acemoglu and James A. Robinson



CONTENTS

Preface • 1

Why Egyptians filled Tahrir Square to bring down Hosni Mubarak and what it means for our understanding of the causes of prosperity and poverty

I.

So Close and Yet So Different • 7
Nogales, Arizona, and Nogales, Sonora, have the same people, culture, and geography. Why is one rich and one poor?

2.

Theories That Don't Work • 45

Poor countries are poor not because of their geographies or cultures, or because their leaders do not know which policies will enrich their citizens

3.

The Making of Prosperity and Poverty • 70 How prosperity and poverty are determined by the incentives created by institutions, and how politics determines what institutions a nation has

4

SMALL DIFFERENCES AND CRITICAL JUNCTURES:
THE WEIGHT OF HISTORY • 96

How institutions change through political conflict and how
the past shapes the present

5.

"I've Seen the Future, and It Works": Growth Under Extractive Institutions • 124 What Stalin, King Shyaam, the Neolithic Revolution, and the Maya city-states all had in common and how this explains why China's current economic growth cannot last

6.

Drifting Apart • 152

How institutions evolve over time, often slowly drifting apart

7• The Turning Point • 182

How a political revolution in 1688 changed institutions in England and led to the Industrial Revolution

8.

Not on Our Turf: Barriers to Development • 213

Why the politically powerful in many nations opposed the

Industrial Revolution

9.

REVERSING DEVELOPMENT • 245

How European colonialism impoverished large parts of the world

IO.

The Diffusion of Prosperity • 274

How some parts of the world took different paths to prosperity

from that of Britain

II.

The Virtuous Circle • 302

How institutions that encourage prosperity create positive feedback loops that prevent the efforts by elites to undermine them

12.

The Vicious Circle • 335

How institutions that create poverty generate negative feedback loops and endure

13.

Why Nations Fail Today • 368
Institutions, institutions, institutions

14.

Breaking the Mold • 404

How a few countries changed their economic trajectory by changing their institutions

15.

Understanding Prosperity and Poverty • 428

How the world could have been different and how understanding this can explain why most attempts to combat poverty have failed

Acknowledgments • 463

BIBLIOGRAPHICAL ESSAY AND SOURCES • 465

References • 483

Index • 511