

**BOOK REVIEW**

**Understanding Prosperity and Poverty in *Why Nations Fail*; The Origins of Power, Prosperity, and Poverty: A Review**

Francisca Anyim-Ben<sup>1</sup> | Anyim Benjamin Anyim<sup>2</sup> | Annastecia Ngozi Anyim<sup>3</sup>

<sup>1</sup>Public Administration Department,  
Federal College of Agriculture,  
Ishiagu Ebonyi State, Nigeria.

<sup>2</sup>General Studies Department,  
Federal College of Agriculture, Ishiagu  
Ebonyi State, Nigeria.  
[ben.anyim@yahoo.com](mailto:ben.anyim@yahoo.com)

<sup>3</sup>History and Strategic Studies,  
Alex Ekwueme, Federal University Ndufu-Alike Ikwo,  
Ishiagu Ebonyi State, Nigeria.

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**Abstract:** Chapter fifteen of the book *Why Nations Fail* by Acemoglu and Robinson titled *Prosperity and Poverty* is the last and summarizing chapter of the masterpiece. The work undertook an intellectual and rigorous journey to logically and coherently expose the causes of obvious inequality amongst nations of the world. The chapter has its central message that the extractive economic and political institutions are hypothetically the reason why some countries are poor; the study highlighted the features of extractive institutions to include: quick economic growth, inherent fighting, systematic disorder, and elite domination. The work is an attempt to comprehensively review and bring to bear an in-depth understanding of prosperity and poverty amongst nations of the world. It, therefore, states that to move into prosperity, poor nations have to create and develop a more inclusive economic and political institution. Thus; the review concluded that poor countries of the world need strong inclusive institutions to leapfrog into prosperity.

**Keywords:** Prosperity, Poverty, *Why Nations Fail*.

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## INTRODUCTION

In this concluding chapter of the ever-exciting text *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* which is titled “Understanding Prosperity and Poverty”, a foundational, fundamental, and critical question was raised. What is prosperity? What is poverty? Is prosperity all about physical and economic growth? Or is prosperity an integral and encompassing concept that accommodates not just physical and economic growth but instead accommodates both the moral and psychological growth of an individual and nations? Is poverty just the absence of physical wealth? Does poverty emanate from man's weakness to progress? These questions are important at this point because how do we explain the fact that countries that gained independence the same year are economically unequal. To explain the gap between these prosperous nations and the poor nation of the world let us look at Acemoglu and Robinson observation.

There are huge differences in living standards around the world. Even the poorest citizens of the United States have incomes and access to health care, education, public services, and economic and social opportunities that are far superior to those available to the vast mass of people living in Sub-Saharan African, South Asia, and Central America<sup>1</sup>.

The extract above suggests that the poorest citizens of the USA are far more comfortable than the thin middle class of these poor countries. Alluding to our earliest statement why are some countries poor and others rich. This takes us back to the question of prosperity how do we measure prosperity and poverty. Prosperity is an integral concept that encompasses a comprehensive development of the nation and its people. Lee Kwan Yew, the Singaporean pioneer Prime Minister was able to bring about prosperity by instilling discipline and installing economic growth to the Singaporean because of his belief in inclusive institutions. Therefore, this work is an attempt to explain and bring to bear a comprehensive understanding of prosperity and poverty among rich and poor nations of the world.

## THE MAJOR HIGHLIGHTS OF THE CHAPTER

Before we delve into this chapter properly, it is important to note that this chapter is more or less a summary of other chapters of the text. This is because issues like inclusive and extractive political and economic institutions, critical junctures, and the weight of history, a vicious and virtuous circle, etc. raised earlier in the previous chapter were all revisited in an attempt to understand prosperity and poverty.

### i. **The distinction between extractive and inclusive economic and political institution:**

The theory is about the institutional interpretation of history<sup>2</sup>. This is because of the smooth transition from extractive to inclusive institutions, even though the norm in history usually is extractive, this is a sign that these societies have been able to break the mold. It, therefore, means that such a society will be understood historically in the light of its inclusivity. Inclusive economic and political institutions encourage and enforce property rights, create a level playing field and encourage investments in new technologies and skill, while extractive economic institutions are structured to extract resources from the many by the few and they, in turn, fail to protect property rights (like in North Korea) or provide incentives for economic activity. Extractive economic and political institutions create a

vicious circle which brings negative feedback while inclusive economic and political institution create a virtuous circle which is associated with positive feedback.

ii. **Why inclusive institutions emerged in some parts of the world and not in others:**

To start with, in contrast with the geography and culture hypotheses, the major reason why inclusive institutions have emerged in some parts of the world and not in other parts is due to leadership style, for instance, the leadership style of Lee Kuan Yew in Singapore was inclusive while that of Hosni Mubarak was extractive, hence, the leader and his leadership styles bring about inclusive institution or extractive institution.

**iii Engineering prosperity:**

According to Acemoglu and Robinson, engineering prosperity comes in two flavours. First, interventions by international organizations like International Monetary Fund (IMF), World Health Organization (WHO) and Non-Governmental Organization (NGO)<sup>3</sup>The attempt by these organizations is not successful because of corruption and poor leadership in some of the countries where this experiment has been carried out. For instance, the one engineered by the Non-Governmental Organization (NGO) SevaMandir to improve health care delivery in the state of Rajasthan in India<sup>4</sup>. Secondly, by resurrecting, “Micro-market failure”<sup>5</sup>. Small market failures are everywhere in poor countries. This can be attributed to their educational system, health care delivery, and the way these markets are organized. The institutional structure that creates market failures will also prevent the implementation of an intervention to improve incentives at the micro level<sup>6</sup>. Therefore, any attempt to engineer prosperity without confronting the root cause of the problem which is extractive institutions and the politics that keep them in place will be fruitless labour.

## **FEATURES OF EXTRACTIVE INSTITUTIONS**

- (1) Quick economic growth or economic advancement;
- (2) There is usually inherent infighting;
- (3) Constant instability in the system, which will eventually lead to ‘systemic entropy’ (Systemic disorder); and
- (4) Because of elite domination, there is an imminent revolution that will lead to the breakdown of law and order<sup>7</sup>.

However, when economic growth comes through extractive political institutions with inclusive economic institutions as South Korean leaders did, there is always the danger that economic institutions become more extractive and this will eventually halt economic growth and development. This is because those controlling political power will eventually find it more beneficial to use state power to limit competition and to increase their share of the commonwealth of the state. Worthy to note is the fact that extractive institutions cannot generate sustained technological change for two reasons: the lack of economic incentives and resistance by the elites and lack of creative destruction and innovation. Because of this, there will always be infighting and instability as other persons will be fighting to replace the current elite.

## CONCLUDING REFLECTIONS

For poor countries to become prosperous or enjoy prosperity, the leadership of such a country has to show high-level commitment and desire to leapfrog from the shackles of poverty. Lee Kuan Yew was assertive in his principle for Singapore's survival. He argued that "Singapore had to be more rugged better organized and more efficient than others in the region"<sup>8</sup>. Poor nations needed to be rugged, better organized, and efficient in managing their economy for them to enjoy prosperity. Nigeria as a country needs such a leader with the charisma and will power of Lee Kuan Yew to take us out from extractive economic and political institutions to a more inclusive economic and political trajectory. This indeed is the hallmark of understanding prosperity and poverty.

## ENDNOTES

1. D. Acemoglu and J. A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty*, (London: Profile Book Ltd, 2012), p. 428.
2. *Ibid.* p. 429.
3. D. Acemoglu and J. A. Robinson. p. 446.
4. *Ibid.* p. 449.
5. *Ibid.* p. 450.
6. *Loc. Cit.*
7. A. B. Anyim, "I've seen the future and it works": Growth under extractive institutions" A seminar on Philosophy and Politics, Philosophy Department Unizik.
8. L. K. Yew, *From Third World to First*, (New York: Harper Collins Publishers, 2011), p. 58.