

A CRITIQUE OF THE CRITICAL THEORIES OF ACEMOGLU AND ROBINSON

Chinedu Ifeakor & Gerry Ifeanyi Oginyi*

Abstract

In the chapter two of their masterpiece, *Why Nations Fail*, Daron Acemoglu and James Alan Robinson vehemently described other traditional theories namely, the Geography theories, the Culture and Ignorance hypothesis as simply, theories that don't work. The assumption here is that the three traditional theories named above are false or in a subtle explanation, has no useful information as to Why Nations are poor and others prosperous. It is against this backdrop that this work employs the method of analysis and argues that there are differences between social and natural phenomenon. While the physical environment is ruled by inexorable laws that are almost consistent, the social environment because of the dynamic nature of man is somewhat unpredictable. Thus, why it is possible to use a single theory to explain natural occurrences such as eclipses, flood, earthquakes, it is not easy to do same with social phenomena. Social events are interconnected and require a member of theories to explain. It is in been unable to make this singular but pertinent, obvious and important distinction that the authors of *Why Nations Fail*, why fail. While we would concede that their Inclusive Institution theory has more information content and explanatory power, we would not argue as they did, that other theories don't work. Thus, this work concludes that there is no mono-factorial explanation of nation's inequality, rather, it requires the confluence of theories as any attempt to do that would amount to intellectual rascality.

Keywords: Theories, Ignorance Hypothesis, Geography Hypothesis, Culture Hypothesis and Inclusive Institutions.

Introduction

In a bid to answer questions such as: Why are some countries and continents that are closely related in culture poor and others prosperous? What explains these major differences in paucity and prosperity among Nations? e.t.c, theories emerged, namely, the Geography, the Ignorance, the Culture and most recently the Inclusive theory of Acemoglu and Robinson. While the first here, the Geography hypothesis depending on the version holds that differences in wealth levels can be attributed to geographical differences between nations. A common view, advocated by Montesquieu, all the way through the economist Jeffrey Sachs to the environmental Biologist Jared Diamond. The culture hypothesis relates prosperity to cultural elements such as religion, nationalism, belief and ethic. Thus, poor countries are poor because they lack the proper work ethic posses by the prosperous Nations. While the Ignorance hypothesis hold by most economist like Prof. Robins asserts "... world inequality exists because we or our leaders do not know how to make poor countries rich". (Acemoglu & Robinson, 63) By extension this means that to move countries from poverty to prosperity, the science of economies should focus

on the best use of scarce resources to satisfy social ends. And finally, the most recent, the incisive and ground-breaking Inclusive Institution theory of Acemoglu and Robinson.

These scholars in a bid to radicalise other traditional theories write:

One might think that the fact that world inequality is so huge and consequential and has such sharply drawn patterns would mean that it would have a well-accepted explanation. Not so. Most hypotheses that social scientists have proposed for the origins of poverty and prosperity just don't work and fail to convincingly explain the lay of the land. (Acemoglu and Robinson, 48).

They succinctly argue that these theories fail to explain the lay of the land. If these theories cannot explain the pattern of growth between North and South Korea, could it be useful in explaining the patterns of growth between Europe, America and Africa? They however, took insistence on institutions. They speak:

By the late 1990s, just about half a century, South Korea growth and North Korean stagnation led to a tenfold gap between the two halves of this once-united country—imagine what difference a couple of centuries would make. The economic disaster of North Korea, which led to the starvation of millions, when placed against the South Korea economic success; is striking: neither culture, geography nor ignorance can explain the divergent paths of North and South Korea. We have to look at institutions for an answer (Acemoglu and Robinson, 73).

Consequently, their perceived inability of these theories made them to develop their Inclusive Institutions theories defined as a situation where both the economic and the political powers of the state is broadly distributed in society and constrains its arbitrary exercise". (Acemoglu and Robinson, 82).

In the wake of the issues adumbrated above, this paper attempts a conceptual clarification of these theories. It shows that while it is possible to have a single theory explaining natural occurrences, like earth-quark, flood, and eclipse, it's seemingly impossible to do so in socio-economic phenomenon, taking into cognizance of the dynamic nature of man and his social environment. Thus, the paper is poised to conclude that it is the coming together of these theories that one would be able to give an accurate, incisive and acceptable explanation of the paucity and prosperity of nations.

Towards Understanding of the Theories that Do Not Work

Here, effort is made to explain the views and tenets of the three traditional theories of nations inequality, namely, the Geography, Culture and the Ignorance Hypotheses.

Geography Hypothesis

The first version of this theory is the one advanced by the political philosopher – Montesquieu. He points out the graphic concentration of prosperity and poverty and advanced an explanation for it. For him, those in the tropical region tend to be lazy and logically lack inquisitiveness and are left behind developmentally. “They didn’t work hard and were obviously not innovative and this was the reason why they were poor. Lazy people tended to be ruled by despots, suggesting that a tropical location could explain not just poverty but also some of the political phenomena associated with economic failure, such as dictatorship”. (Acemoglu & Robinson, 49).

Jared Diamond on his part in his ground-breaking text, *Guns, Germs, and Steel*, lays out the basic argument for environmental determinism – that environments and geography determines the political institutions of a certain region. He opines thus:

It is easier for inhabitants of the Eurasian continents to spread the same kind of agricultural products and domesticated animals like cows and horses. On the other hand, for African and American continents, because of the wide latitudinal differences of different regions, it is hard for the same kind of agricultural products and domesticated animals to spread. (J.Diamond 27)

For this reason however, argues, Diamond, that people on Eurasian continent are more likely to develop stronger immune systems and thus their civilizations are more likely to survive. The most recent of this theory is the one advanced by an American economist, Jeffrey Sach. He argues that tropical disease like malaria has it dominance in Africa and therefore, affects not only their health but also an adverse effect on their productivity, and that tropical soil associated with them two, do not allow productive agriculture.

He asserts:

Sub-Sahara Africa tended to lose out. The long era of brutal colonial rule left the region bereft of skilled labour and physical infrastructure compared with the rest of the world. Development remained difficult in view of many geographic obstacles that contained domestic energy production made farming difficult, sapped the health of the workforce, and raised the cost of transportation both within Sub-Sahara and Sub-Sahara Africa and world major markets. (Sach, 150).

He therefore, succinctly argues that real economic life will be even more complex in the coming decades as human-led climate change progresses. “In fact, economic development will be more complex in the coming decades as human led changes progresses, many regions could well be hit by devastating environmental shocks such as heat waves, droughts, and floods that are far beyond their control. Population will migrate in reaction of uneven pattern of demographic change”.

(Sach, 160) Whatever version the theory appears, the conclusion is the same: “temperate climates have a relative advantage over tropical and semi-tropical areas”. (Acemoglu & Robinson, 49).

The Culture Hypothesis

This second theory, the culture hypothesis was developed and advanced by the German Sociologist, Max Weber, and argues that culture is the driving force for different levels of economic growth. He opines that protestant ethic explains the Industrial Revolution and economic boom in Western Europe. He asserts thus:

This belief motivates people to work hard and collectively contributes to economic growth. On the other hand, some claim that Africa, Asia and Native American cultures do not promote values that motivate to innovate and work hard and thus, those civilizations lagged behind. (Weber, 27)

For him, African nations are poor because they lack a good work ethic, still believe in the reality of Witchcraft, magic and therefore, resist Western technology.

The Ignorance Hypothesis

The theory of Ignorance was developed and advanced by the famous economist, Lionel Robins. He took off from his definition of Economics; of course the most generally accepted. Robins sees economics as “...a social science which study human behaviour as a relationship between ends and scarce means which have alternative uses”. (Robins, 4) He thus, describes the purpose of governments as the distribution of scarce resources. “As these resources are scarce, the regime has to allocate those resources wisely to encourage economic growth”. (Robins, 5)

Consequently, lack of economic growth is caused by the government’s inability to carry out or adopt the correct and accurate measure in the allocation of these scarce resources. In other words, nations are poor because they have a lot of market failure and because economists and policy makers do not know how to get rid of them and have heeded the wrong advice in the past and vice-versa.

The Critical Theory of Acemoglu and Robinson

Here, this paper seeks to explore the duo’s total rejection of other three traditional theories so as to enable us juxtapose them with their Inclusive Institutions theory and see how justified they are in describing them as simply, “theories that don’t work”. (Acemoglu and Robinson, 45)

Their first blow began with the Geography hypothesis where they argue that if Geography hypothesis cannot explain the differences between the North and South Korea could it be a useful theory between Africa and Europe? In their words:

World inequality, however, cannot be explained by climate or diseases, or any version of the geography hypothesis. Just think of Nogales. What separates the two parts is not climate, geography, or disease environment, but the U.S-Mexico border. If the geography hypothesis cannot explain differences between the North and South of Nogales, or

North and South Korea, or those between East and West Germany before the fall of the Berlin wall, could it still be a useful theory for explaining differences between North and South America? Between Europe and Africa? Simply, no. (Acemoglu & Robinson, 49).

They vehemently argue that history is replete with instances that there is no enduring connection between climate and geography with socio-economic prowess of nations. Arguing that diseases and climate are not the cause of the staggering poverty in Africa, rather it is government's unwillingness to take public health serious, they submit thus:

Tropical diseases obviously cause much suffering and high rates of infant mortality in Africa, but they are not the reason Africa is poor. Disease is largely a consequence of poverty and of governments being unable or unwilling to undertake the public health measure necessary to eradicate them. England in the nineteenth century was also a very unhealthy place, but the government gradually invested in clean water, in the proper treatment of sewage and effluent and, eventually, in an effective health services, improved health and life expectancy were not the cause of England's economic success but one of the fruits of its previous political and economic changes. The same is true for Nogales, Arizona. (Acemoglu & Robinson, 51).

Acemoglu and Robinson argue that the geography hypothesis is not only unhelpful and insufficient for explaining the origins of prosperity but also unable to explain the lay of the land.

The geography hypothesis is not only unhelpful for explaining the origins of prosperity throughout history, and mostly incorrect in its emphasis, but also unable to account for the lay of the land. One might argue that any persistent pattern, such as the hierarchy of incomes within the Americas or the sharp and long-ranging differences between Europe and the middle East, can be explain by unchanging geography. But this is not so. (Acemoglu & Robinson, 54-55)

The same is said of the culture hypothesis by these scholars. They argue that many people still argue that Africa, Latin America and Asia cannot be prosperous because one, Africans still believes and practice magic and witchcraft, while the Latin America are intrinsically profligate and impecunious, and that the Chinese culture and Confucian values were inimical to economic growth. In their attempt to sweep this theory under the carpet too, they write "... of course, many once

believed that the Chinese culture and Confucian values were inimical to economic growth, though now the importance of the Chinese work ethic as the engine of growth in China, Hong Kong, and Singapore is trumpeted. Is the culture hypothesis useful for understanding world inequality? No. (Acemoglu & Robinson, 57).

It was the ignorance hypothesis that seems to have received a little accolade from these scholars but was also described as theories that work, as they still found this theory wanting in many respect. They submit:

Consider the divergent paths of the United States and Mexico. Blaming this disparity on the ignorance of the leaders of the two is, at best, highly implausible. It was differences in knowledge or intentions between John Smith and Cortes that laid the seeds of divergence during the colonial period, and it was not differences in knowledge between later U.S presidents, such as Teddy Roosevelt or Woodrow Wilson that made Mexico choose economic institutions that enriched elites at the expense of the rest of the society. Rather it was the difference in the institutional constraints the countries presidents and elites were facing. (Acemoglu & Robinson, 66).

They further stressed their position with an allusion made of African nations, thus:

Leaders of African nations that have languished over the last half century under insecure property rights and economic institutions, impoverishing much of their populations, did not allow this to happen because they thought it was good economies; they did so because they could get away with it and enrich themselves at the expense of the rest. (Acemoglu & Robinson, 66).

To this, they were forced to submit that this theory oversimplifies the situations hence cannot offer satisfactory explanation for why nations fail. The duo however, acknowledged that Ignorance hypothesis, though rules supreme over the other two theories of why nations fail but, still argue that it is another theory that don't work. "Although the ignorance hypothesis rules supreme among most economist and in Western policy making circles – which almost to the exclusion of anything else, focus on how to engineer prosperity – it is just another hypothesis that don't work". (Acemoglu & Robinson, 67).

For them, when nations manage to break out of institutional pattern causing them poverty and switch on a path to economic prosperity, it is not because, of climate change, culture nor because their ignorant leaders suddenly become better informed or less interested rather it is as a result of institutional drift during her trajectories. They took the path of Abba, Lerner when they argue that understanding policies is crucial for explaining world inequality and not any of the aforementioned theories.

Economics has gained the little Queen of the social sciences by choosing solved political problems as its domain". (Abba, 259).

One may ask what level of intellectual gutsy has Acemoglu and Robinson to have described these theories in such a derogative phrase – theories that don't work? The answer to this question is simple; According to Acemoglu and Robinson, these theories cannot suffice in explaining the paucity and prosperity of nations, rather their Inclusive institutions theory, which states that Nations differ in their political and economic success because of their difference in institutions- the rules influencing how the economy works, and the incentives that motivate people. According to them, Nations are poor because they adopt extractive political and economic institutions which are characterized by lawlessness and highly insecure property rights. While inclusive political and economic institutions encourage growth and prosperity. "The central thesis of this is that economic growth and property are associated with Inclusive economic and political Institutions, while extractive Institutions typically lead to stagnation and poverty". (Acemoglu and Robinson, 91).

In a nutshell, it guarantees, rule of law, secure property rights, creative destruction, nurturing and attracting talents, political and economic incentive, cushion on ethnicity and religion and separation of power. Consequently, with these tenets of Inclusive Institutions, Acemoglu and Robinson are confident enough to have offered a satisfactory explanation on the paucity and prosperity of nations. We shall however, make effort to juxtapose this with the theories that don't work and see if the point made of them suffice.

Theories that Do not Work and Inclusive Institutions Theory: A Juxtaposition

What the authors of *Why Nations Fail* demonstrate in the book is that world inequality is not caused by geography, culture nor ignorance but by institutional differences among nations. If we bring the Chinese success story, a number of features become observable. To begin, China is where most advocates of Inclusive Institutions would term disadvantaged location. Hence Inclusive Institutions does not explain China's economic boom. G.I. Oginyi made allusion to this when he observes "... the level of economic fortunes in China goes again to raise another question for Acemoglu and Robinson. What has Acemoglu and Robinson to say about the economic fortunes in China despite the fact that they are not inclusive? (Oginyi, 153).

The thesis statement of the book is not only over ambitious but also faulty giving the above instance. Scholarship is not prophecy, rather one's ability to state clearly whatever that must be stated. To say that China would collapse if she fails to liberalise is at best described as point of departure for Acemoglu and Robinson. Jared Diamond is not silent here, as he reacts thus:

The limitation of the book to explain the recent economic development in China and India. Under an authoritarian regime (theoretically extractive political

institutions), China has achieved rapid economic development while democratic India (theoretically inclusive political institutions) has lagged much behind. (Diamond, 18).

On the other hand, however, when we bring to fore, the success story told by the Prime Minister, Lee of Singapore in his *From Third World to First* to Acemoglu and Robinson's assumption, a number of features become observable too. First, Singapore is not where most advocates of the Geography hypothesis would term disadvantaged location. Hence, Geography does not explain Singapore's successes. Second, Singapore has the same culture with Malaysia her closest neighbour. The culture hypothesis thus does not have explanation why Singapore is richer than Malaysia and her other neighbours. Third, by Lee's account, "there was no such thing as superior economic knowledge among the pioneers-independence leaders of Singapore. Originally, they were so uncertain and scared of the future of their nation". (Lee, 3-5), which shows too, that Ignorance hypothesis has no explanation for it too.

In spite of all these limitations, Singapore was able to become one of the richest countries in the world today. Lee in his book shows that at the outset, there was no wealth on ground that would encourage the emergence of hierarchy and exploitation. As such, they struggled to build an inclusive society that shuns ethnicism and corruption. This society where socio-economic incentives encouraged hard-work and innovation is in line with the theory of inclusiveness espoused by Acemoglu and Robinson. To this extent, it justifies the position of the authors in *Why Nations Fails*.

It is also arguable that culture has an explanation to the level of productivity that could be achieved in a particular region or state. For instance, in the Northern Nigerian and other nations of the world dominated by the Islamic faithful, their women folks especially the married among them are confined, such that they become economic liability (ies) not only to the families but also to the nation at large as they do not contribute to the nations GDP (Gross Domestic Product).

The place/import of ignorance hypothesis cannot also be looked down upon. It is self-evident that leaders who are smart, intelligent and knows technical know-how tends to perform creditably well when compared to those who are not educationally and technically advantaged. Many African nations are poor not simply because of the ignorance of her leaders though, but in most often cases are because of their ignorance as they do only not know, but doesn't want to know. For instance in Nigeria where the presidential candidate of the All progressive Congress (APC) during her last February, 2019 general elections failed to satisfactorily explain how he tends to put the necessary machinery(ies) to place to revamp and revive the nation's economy. While in countries like the United States of America, elections are not won on the pages of news papers but based on the candidate's ability to satisfactorily during debates explain positively how he/she would implement government's policies and programs. Instances abound on leaders implementing

disastrous policies because they were mistaken about those policies consequences. In essence, these theories compliment each other, as each of them has useful answer to why some countries are poor and others prosperous.

Conclusion

It remains largely a victory of the four theories considered and analyzed. We need to know that there are differences between social and natural phenomenon. While the natural – physical environment is governed by inexorable laws that are somewhat unchanging and constant. The social environment because of the dynamism of human nature is certainly unpredictable and remains unpinnable. In essence, while it is scientifically possible to use a single theory to explain natural phenomenon like earthquake, flood, eclipses, etc. It is not an easy a task to do same with social phenomena like, terrorism, examination and electoral malpractices, etc. Social phenomena are inter-twined and require a number of theories and concepts to explain. It is in being unable to make this singular but very pertinent distinction that Acemoglu and Robinson's theory fail.

While we would concede that their inclusive institutions theory has more information content and explanatory power, we would not argue as they did that other theories that don't work. We rather would insist that we need all the theories in order to understand the dynamic and complex socio-economic and political events around the world. There is no mono-factorial explanation of nations' inequalities, and any attempt toward that would not only end in futility but will at the same time is the height of intellectual rascality.

***Chinedu Ifeakor, PhD**

Department of Philosophy,
Nnamdi Azikiwe University, Awka
[Email: cs.ifeakor@unizik.edu.ng](mailto:cs.ifeakor@unizik.edu.ng)

***Gerry Ifeanyi Oginyi, PhD**

Department of Philosophy,
Nnamdi Azikiwe University, Awka
Email: goginyi@yahoo.com

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