Note: Sachs weighs in on 'Why Nations Fail'

Author : Jonathan Pryke

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Jeffrey Sachs has reviewed the recent Daron Acemoglu and James Robinson book *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (highlighted on this blog in two reviews available here) recently for Foreign Affairs providing an interesting counterweight to the authors arguments on the drivers of growth. By narrowing their argument down to economic development being dependent upon the existence of 'inclusive' political institutions Sachs claims that "[t]he overarching effect of these analytic shortcomings is that… they act like doctors trying to confront many different illnesses with only one diagnosis." Sachs argues that drivers of development cannot be diagnosed so simply and makes some interesting points:

- The authors assumption that authoritarian elites are necessarily hostile to economic progress is not entirely valid. Using examples of early 1800s Prussia, Japan in the 19th century, South Korea's industrialisation in the 1960s and China's in the 1980s, Sachs argues that dictators have sometimes acted as agents of deep economic reforms (often because international threats forced their hands) and can actually, at times, speed technological inflows that facilitate strong growth.
- A state's power depends not just on the willpower and choices of the political elite but also on an adequate resource base to help finance that capacity.
- "Bad governance is indeed devastating, but so, too, are geopolitical threats, adverse geography, debt crises, and cultural barriers. Poverty itself can create self-reinforcing traps by making saving and investment impossible."
- "[I]nclusive political institutions have presided over decidedly extractive practices conducted abroad or directed against minorities at home- indeed, some of the greatest abuses of humanity." Here Sachs highlights the slave trade, the nuclear industry, the treatment of Native Americans in the United States and the brutality of colonialism.
- Their "narrow focus on political institutions offers insufficient predictive help. Consider how ineffectual the theory would have been at foretelling the global winners and losers in economic development from 1980 to 2010." Based on the standard set in this book, Sachs contends economists would have been betting on the likes of Gambia and Ecuador to surge in future economic performance, with authoritarian East Asia (notably China) being largely dismissed.

Sachs leaves us with a final thought in his review: "[i]n such a complicated world, explanations of growth that center on a single variable will become even less useful."

This blog is a part of a series on 'Why Nations Fail.' For other blogs in the series, see here.

Jonathan Pryke is a Researcher at the Development Policy Centre*.*