

**WHY**

'Brilliant in its simplicity  
and power'  
Steven Levitt

**NATIONS**

'Compelling and highly  
readable'  
Niall Ferguson

**FAIL**

**THE ORIGINS  
OF POWER,  
PROSPERITY  
AND POVERTY**

**DARON ACEMOGLU & JAMES A. ROBINSON**

Shortlisted for the *FT* and Goldman Sachs Business Book of the Year Award



**GRAPHIC GYAAN**

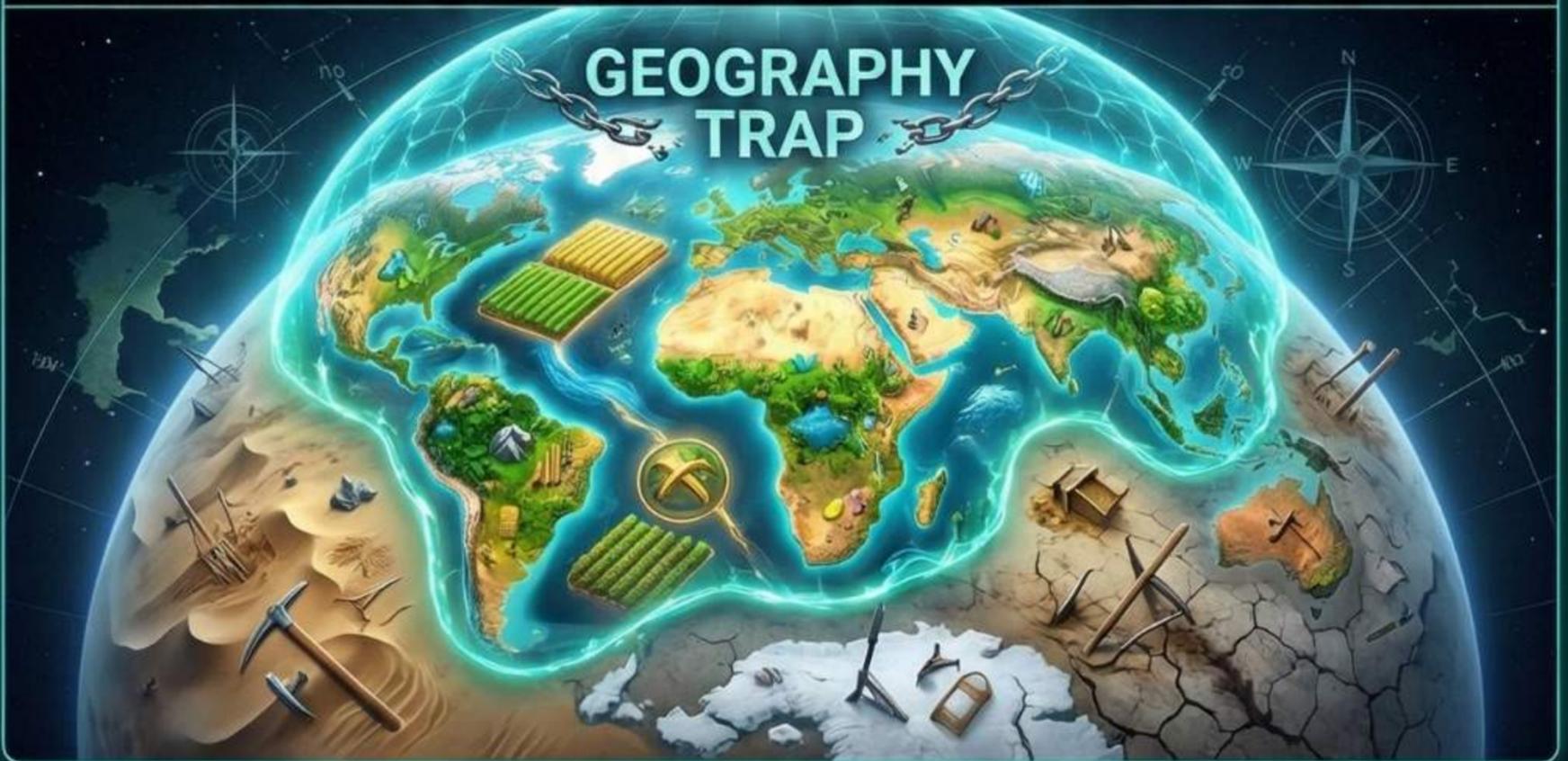
# 1 DEFINING NATIONAL SUCCESS

Successful nations are characterized by wealth, high standards of living, and political stability, whereas failing nations suffer from poverty and chaos.



# 2 THE GEOGRAPHY TRAP

A flawed theory suggests that a nation's success is determined by its climate, soil quality, and natural resources, which allegedly give some regions an agricultural head start.



# 3 THE CULTURAL MYTH

Another flawed theory argues that cultural attitudes toward hard work and technology determine wealth, implying poor nations lack the 'right' values.



## 4 THE COMPETENCE FALLACY



The third flawed theory claims that national failure is due to unskilled leaders making poor economic choices rather than systemic issues.

## 5 THE KOREAN EXPERIMENT



The stark contrast between wealthy South Korea and impoverished North Korea serves as a “natural experiment” to test inequality theories.

## 6 DEBUNKING OLD THEORIES



Geography and culture cannot explain the Korean divergence because both nations share the same peninsula, history, and ethnicity yet have vastly different outcomes.

## 7 ORIGINS OF THE SPLIT



The divergence began when the peninsula was divided post-WWII, establishing opposing government types: pro-communist in the North and anti-communist in the South.

## 8 POLITICAL INSTITUTIONS DEFINED



Political institutions are the systems that determine who holds power in a society and how the rules governing that society are created.

## 9 ECONOMIC INSTITUTIONS DEFINED



Economic institutions are the laws and incentives, such as banks and patents, that influence how people behave in the market and distribute resources.



## 10 THE INSTITUTIONAL LINK



Political institutions are the primary driver, as they determine how rules are made, which in turn dictates the nature of economic institutions.

## 11 OPEN POLITICAL PLURALISM



Successful nations have “pluralistic” political institutions that distribute power broadly across society and place limits on government authority.

## 12 RULE OF ENFORCEMENT



Open institutions require a central power strong enough to consistently enforce rules, ensuring that even the powerful must follow the law.

# 13 OPEN ECONOMIC RULES



Open economic institutions feature rules that ensure free markets, such as protecting property rights, enforcing contracts, and preventing monopolies.

# 14 PUBLIC SERVICES ACCESS



To ensure fairness, open institutions provide tangible public services like roads and schools, allowing all citizens—not just the wealthy—to compete.

# 15 INCENTIVIZING PRODUCTIVITY



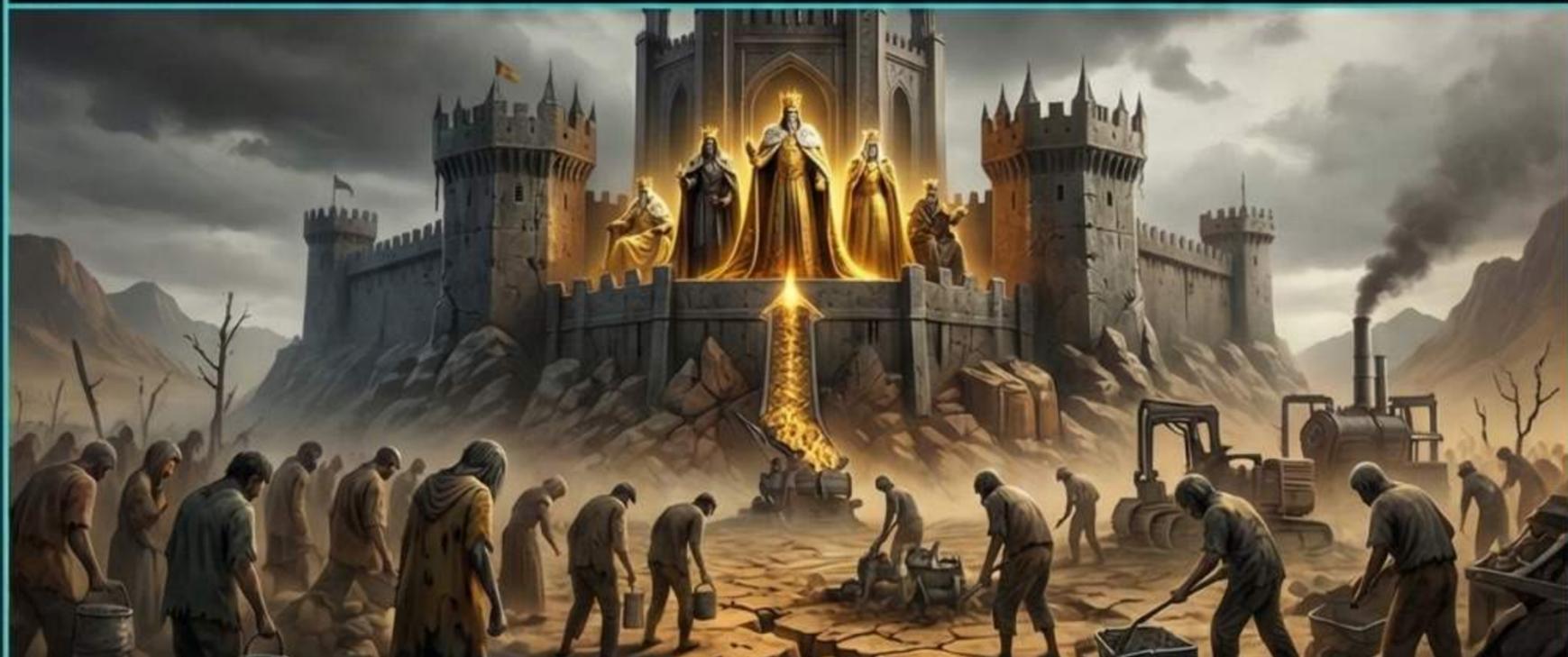
Open institutions succeed because they give citizens personal incentives to work hard, knowing their earnings are secure from arbitrary seizure.

## 16 FOSTERING INNOVATION



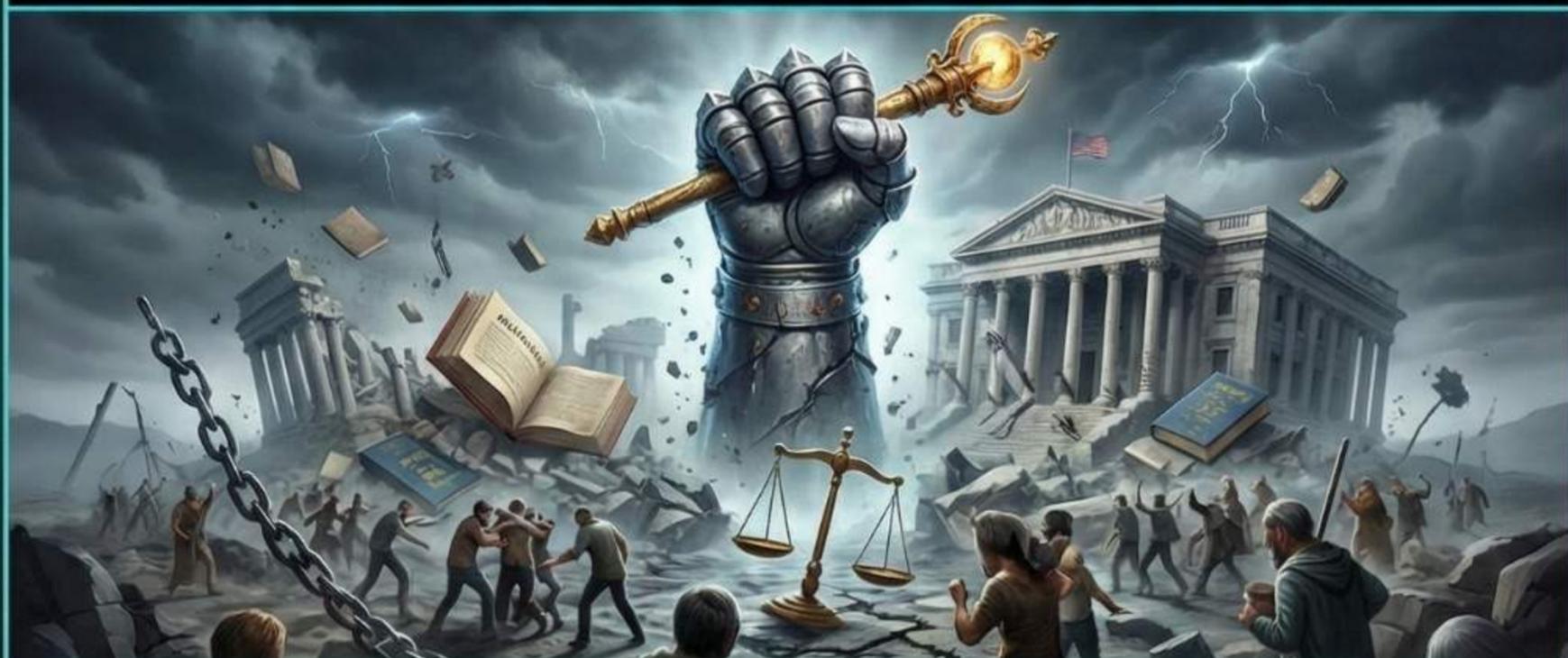
Secure property rights and open markets encourage entrepreneurship and technological development, which are crucial for generating national wealth.

## 17 DEFINING EXCLUSIVE INSTITUTIONS



Failing nations are built on "exclusive" institutions designed to exploit the general population for the benefit of a small group of elites.

## 18 EXCLUSIVE POLITICAL SIGNS



Exclusive political systems lack pluralism, concentrating power in a few hands, or lack the state capacity to enforce basic rules and order.



## 19 THE SINGAPORE ANOMALY



Singapore challenges the theory by combining somewhat exclusive, dominant-party politics with a highly open, free-market economy.

## 20 ECONOMIC BARRIERS



In exclusive economies, citizens face barriers like high-interest loans, required bribes, or restrictions on what businesses they can open.

## 21 FEAR OF TECHNOLOGY



authoritarian leaders often block technological progress because they fear "creative destruction" could destabilize their political power.

## 22 THE PRODUCTIVITY VACUUM



When a government can arbitrarily seize assets, citizens have no incentive to be productive or innovative, leading to economic stagnation.

## 23 UNSUSTAINABLE GROWTH



Exclusive nations can achieve temporary growth by exploiting specific resources (like oil), but this growth is not sustainable in the long term.

## 24 CREATIVE DESTRUCTION



Sustainable growth requires 'creative destruction,' where new, efficient industries replace outdated ones, a process exclusive nations often suppress.



## 25 VENEZUELAN COLLAPSE



Venezuela's economic collapse illustrates how exclusive nations dependent on a single industry fail when they cannot adapt to market changes.

## 26 LOGIC OF DICTATORS



Leaders create economically disastrous exclusive institutions not out of ignorance, but to protect their own political survival and power.

## 27 CRITICAL MOMENTS



Major historical events, such as pandemics or wars, create “critical moments” that disrupt the status quo and allow for institutional change.



## 28 GRADUAL SHIFTS



Small institutional choices made early in a nation's history can evolve over decades, leading to significant divergence in openness or exclusivity.

## 29 BALANCE OF POWER



Nations often become open when competing factions are evenly matched, forcing them to compromise and share power rather than dominate.

## 30 ENFORCING COMPROMISE



For openness to take root, competing factions must respect their compromises and create systems to enforce the shared rules.



## 31 COLONIAL LEGACY



Many nations became exclusive due to external colonial powers installing extractive institutions to siphon wealth to the colonizers.

## 32 INTERNAL CONFLICT



If internal factions refuse to compromise, the stronger group may crush the other and establish exclusive institutions to cement their control.

## 33 THE FEEDBACK LOOP



Institutions tend to persist because wealthy elites use their economic power to buy political influence, which they use to generate more wealth.



## 34 CIVIL DEFENSE



Open nations tend to stay open because citizens, accustomed to freedom, will actively protest and fight to protect their rights.

## 35 ELITE ENTRENCHMENT



Exclusive nations tend to stay exclusive because leaders control immense wealth and power, allowing them to easily suppress demands for change.

## 36 THE OLIGARCHY TRAP



The "iron law of oligarchy" suggests a risk that even democracies may drift toward exclusivity as bureaucratic leaders naturally accumulate distinct status and power.