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Why Nations Fail: The Origins of Power, Prosperity and Poverty. **By Daron Acemoglu and James A. Robinson.** New York: Crown Business, 2012. Pp. 544.

Acemoglu and Robinson undertake a thorough and detailed enquiry of the existing puzzle of economic, social and political inequality in the current world scenario. The authors make an attempt to address the fundamental problem of glaring income gaps and variation in the standards of living in various parts of the world, "why [some] nations fail" while others succeed. The answer to the puzzle is embedded in the "institutions" which shape up the overall governance in terms economic, social and political policies of a specific country. The authors present a strong case by delving in-depth in a "historically path dependent" analysis of how some nations have followed an institutional path which resulted in effective institutions that are able to render policies beneficial for the citizens. This has been further elaborated by providing stories of "success and failure" and juxtaposing "dissimilar-similar" examples, dissimilar in terms of socio-economic indicators and similar regionally and geographically, for example, Nogales, Arizona (United States) and Nogales, Sonara (Mexico) in Chapter 1, North and South Korea in Chapter 3. Linking history and the contemporary conditions authors opine that historical revolutionary turning points of a nation matter only when they succeed in altering the social structures fundamentally as happened in the case of England in 1688 and French revolution in 1789. The authors cite the example of recent revolution in Egypt (overthrowing Hosni Mubarak) where earlier revolutions (the Ottoman Empire and the end of British rule in 1952) failed to establish a new order leading to much familiar to absolutism (Mubarak's rule). Following from the previous patterns, the authors cast a shadow of doubt whether the recent revolution would result in any fundamental change in the existing socio-economic and political structures in Egypt. A historical institutional exploration of success and failure stories according to the authors is instructive in providing answers and solutions to the existing dilemma of variation in prosperity and poverty.

The book initially presents a contrasting case of the two Nogales, one which is situated in the United States in the north and the other in Mexico in the south. Despite similar geography and climate, the two have glaring differences in income and standards of living. The authors argue that these differences are embedded in the types of institutions which took shape historically in the two countries. Institutions providing incentives to the citizens for overall growth is the key for the success and failure. However, economic institutions alone cannot provide the necessary structure for development; politics and political institutions also dictate the shaping of economic institutions as is the case of United States since 1619. It is pertinent to examine the interactions between political and economic institutions. The kind of institutions which take shape is path dependent on the past forces; "different patterns of institutions today are deeply rooted in the past because once society gets organized in a particular way, this tends to persist" (p. 44). Acemoglu and Robinson, while presenting a strong case for institutional analysis, negate some popular hypotheses which attempt to provide reasons for the world inequality in terms of geography, culture, and ignorance of the rulers, resulting in poor policy choices. Some prominent examples like Asian and African economies of Malaysia, Singapore, Botswana, and China are cited to support their argument.

Why some nations fail while others succeed is highly dependent on the types of institutions which take root historically. The authors further classify and distinguish them as "inclusive and extractive" institutions. Inclusive economic institutions provide incentives to the citizens resulting in technological innovations (Thomas Edison in the United States) and increase in education. Extractive institutions, on the other hand, only concentrate on maximizing benefits to the ruling elites, providing no incentive to the citizens to participate in any economic activity or encourage technological innovations. The authors cite differences in North and South

Korea, the United States, and Latin America as examples of inclusive and extractive institutions. Economic institutions are inextricably linked to the politics and inclusive political institutions which are pluralistic and highly centralized at the same time, pointing towards striking a delicate balance of political power. This balance is a prerequisite to forge a meaningful synergy between political and economic institutions. The question of centralized power is again explored in cases of the Caribbean between the sixteenth and eighteenth centuries, development of Soviet Union till the 1970s, South Korea and more recently China where extractive political institutions with highly centralized power were consequential in shaping up inclusive economic institutions. Political centralization is the key for such a growth. However, in the absence of any inclusive political institutions, it may not result in sustained economic growth. Additionally, there is danger that economic institutions might turn extractive working in favour of the power elite.

Historical critical junctures play a role in shaping up institutions that take root, whether inclusive or extractive, contributing towards little differences in the initial phase of institutional building. The small differences are consequential and get amplified further to facilitate the emergence of institutions which are critical for a nation's success or failure and "diffusion of prosperity". It is also pointed out that institutions are rooted in the prevailing socio-cultural ethos of a particular nation. The patterns and dynamics of interaction between the critical historical junctures and institutions play a significant role and had varied effect on the institutional paths which took shape in various parts of the world. The "critical juncture" argument provides an explanation as to why industrial revolution took root in England and was diffused to some parts of the world such as the United States, France, and Japan, while some others like Spain, Austria-Hungary, Russia, and China could not take advantage of the industrial revolution.

Imperialist and colonial expansions are additional factors which hindered and stagnated growth in most parts of Asia and Africa, creating extractive institutions. The cases of Sierra Leone and most of sub-Saharan Africa are examples of this colonization which led to the formation of "vicious circle" of extractive institutions in both pre- and post-colonial scenario. The key, the authors point out, is the transformation of the extractive institutions to inclusive ones with the right policy choices and appropriate politics as with what happened in the case of southern United States, Botswana, and China — what is termed as creation of "virtuous cycle". Interestingly, according to the authors, luck plays a role as well as "history unfolds in a contingent fashion".

The authors present a compelling institutional theory operating at two levels of institutional interpretation of history in terms of extractive and inclusive institutions and the history resulting in new inclusive institutional pathways. They also highlight the crucial link and synergy between the economic and political institutions — one creating conducive economic environment and the other facilitating ideal distribution of power which is both sufficiently pluralistic and centralized. There is no ready-made recipe for creating institutions which pull the nations out of the poverty cycle and allow them to prosper; the process is gradual, dependent on a number of socio-political and historical factors. Hints of such factors are cited in the case of Botswana, which had a degree of centralized power and existing traditional pluralistic political institutions and Brazil, which experienced the building of civil society institutions and related party organizations from the grassroots. Media is also seen playing a transformative role.

Needless to mention some of the gaps which one is compelled to point out indicate the robustness and relevance of the institutional theory rather than the lack of it. The model of sustained economic growth in some parts of the world which the authors have traced historically and used as success cases have recently come under severe scrutiny in the light of the ongoing global economic crisis in Europe, North America, Japan, etc. Simultaneously, a new group of nations are emerging as key players in the world affairs, for example, BRIC countries. Is this then a critical juncture or a historical moment where existing institutional framework is replaced by a new set of institutions? Perhaps, it could have been prudent for the authors to deal with this question of emerging world order going beyond the historical account, thereby making it more contemporary. While agreeing with the authors' argument on striking a balance between political centralization and pluralism, it must be pointed out that the existing diversity at the grassroots necessitates a decentralized governance structure and hence a decentralized institutional framework as can be seen in case of India and Brazil and to a large extent in most of the large federally arranged nations. This aspect of institutional framework has not been dealt with in detail by the authors, which is immensely significant for the delivery of policies to the grassroots.

Finally, this volume comprehensively provides an insightful and instructive historical explanation of the "inequality" dilemma faced by the policy-makers and analysts alike. The institutional approach provides an alternate theoretical framework as institutions are often the vehicles through which the governance agenda of the country is carried forward. The volume presents a valid case of a historically path-dependent "institutional theory" in explaining "prominent patterns of world inequality".

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