
Review Essay

Why Nobelists Fail

Sanjay G. Reddy

ABSTRACT

Daron Acemoglu, Simon Johnson and James Robinson, the winners of the 2024 Nobel Prize in Economics, have been heralded as developers of major new insights in the field of institutional economics, helping to explain the basis of economic prosperity in the long run, and offering an understanding of the role of colonialism and imperialism in the making of the modern world. This essay argues that their approach is excessively narrow, based as it is on an idea of property rights as playing a talismanic role in economic growth. Other factors, including the privileged relationship between settlers and their countries of origin, can both explain the divergence between settler colonies and others and cohere with the historical facts. Moreover, there is good reason to believe that property rights, if rigidly conceived, act as a fetter on growth. A pragmatic approach to property rights, and not property-rights absolutism, conduces to long-run growth and development.

INTRODUCTION

Readers of the work leading to the 2024 Nobel Prize in Economics,¹ awarded to Daron Acemoglu, Simon Johnson and James Robinson, generally fall into two camps. One perspective sees their work as helpfully drawing attention to the role of institutions, and of colonial legacies in particular, in shaping long-run economic outcomes. Another sees their framework as being neither original nor revelatory, considering it excessively reductionist, starkly ideological and wholly inadequate for understanding a complex

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1. As is well known, this prize was established much later than those created by the original bequest and is officially the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. For simplicity, we refer to it as the Nobel Prize here. For an earlier comment on the role of the Nobel Prize in the discipline of Economics and in society, see Reddy (2019) in this journal.

global reality. It will be argued here that despite the imprimatur these ideas have now received, these charges remain pertinent, and that the authors' central claim — that the clear definition and robust enforcement of property rights is the main reason for differences in long-run economic outcomes — is not sustained either by their own arguments or by the broader literature. The conflation of sound institutions with ones that protected the property rights established by a few during colonial conquest and imperial expansion is based on a highly questionable empirical inference. The differential economic performance of settler colonists can be explained in other ways — in particular by their privileged ties to their home countries. It is a further irony that the original sin of settlement, far from an act of respect for property rights, was an extinguishing of those of the pre-existing inhabitants.² Finally, both historical and contemporary developmental states have relied heavily on the ability to manage property rights flexibly and pragmatically in order to further economic prosperity, thus preventing an excessively rigid understanding of property rights from becoming a chokehold on growth.

The fields of political economy of development and of institutional economics did exist before Acemoglu, Johnson and Robinson. The themes addressed in this literature were multiple, ranging widely over such varied topics as social conflict as it affects inflation and other economic outcomes; the theory of the state including which interests are most influential upon it; the economic causes and consequences of colonialism and imperialism; the role of power in shaping the definition and distribution of property rights; the role of norms, customs and conflict in determining how common resources are managed; and the political and social underpinnings of economic innovation. There existed an enormous range of writings on institutions and economic life by economic and social historians, political scientists, sociologists, anthropologists, legal scholars and economists too, especially those writing outside of the mainstream (running the gamut from the leftist French 'regulation school' to the libertarian Virginia school of political economy). It was a newer departure that well-positioned mainstream economists, at the acknowledged institutional apex of the discipline, showed interest in these topics. But they also brought a reductionistic approach, centring on the framework that provided the right incentives for market investment and growth, much as conventional economists did who had contributed to the development of these lines of thought in mainstream institutional economics a generation earlier, such as Ronald Coase, Douglass North and Oliver Williamson. Many writings on such topics, especially in the broader social

2. We use the concept of property rights loosely here, recognizing that Indigenous people did not usually interpret their claims in the same way as settlers, which was one reason — often involving gross misrepresentation — that was offered for their expropriation. See, for instance, the discussions in Arneil (1996), Murray (2022) and Squadrito (1996) of the influential theory of property of John Locke.

science literature on political economy and institutional analysis, admittedly had the unhelpful view that ‘it is complicated’ and so a simple framework that cut through the fog would have its appeal — but could such a perspective be offered, while also adequately respecting facts about the world?

THE GOOD, THE BAD AND THE PROPERTIED

The point of view of the three authors is narrowly focused — even fixated — on property rights, seeing them as *defining* inclusive economic institutions and as underpinning inclusive political institutions, the coupled concepts at the centre of *Why Nations Fail*, the sizable volume in which Acemoglu and Robinson (2012) elaborated and extended their view. It is understandable that this perspective enjoys a resonance among property holders and enthusiasts, both in the economics discipline and more broadly in society, as it is a reflection of a common sense that prevails in such quarters, but it provides an inadequate guide to understanding either democracy or development. This is because property rights play more diverse and ambivalent roles in both phenomena than the authors acknowledge. Their view is ahistorical. It misses essential aspects of the colonial experience (such as the impact of ethnic and racial prejudices and solidarities based on the global colour line) and its resulting legacies. It also misunderstands the sources of success of rising nations in the contemporary world, such as the role of developmental states.

Let us examine the authors’ central concept of inclusive economic institutions more closely. In the early academic contributions of Acemoglu et al. (2002: 1266–67), good institutions are measured exclusively by current ‘expropriation risk’ and ‘constraints on the executive’ (current and in the first year of independence). ‘Good institutions’ (mentioned four times) are identified with private property protection as such, whereas the word ‘inclusive’ is not mentioned once. There is no reference to any measure of how widespread property ownership is nor to such criteria as the provision of public services to provide a level playing field, the freedom to choose careers, etc. In the still earlier Acemoglu et al. (2001: 1371, fn. 4), there is a single reference to ‘institutions providing equal access to education and ensuring civil liberties’, but these concerns do not explicitly enter the exercise as independent factors. The reader is told that there is a ‘cluster of institutions’ that relate all of them to expropriation risk. Moreover, the authors state clearly at the outset of the article (*ibid.*: 1370) that, ‘As our focus is on property rights and checks against government power, we use the protection against “risk of appropriation” index from Political Risk Services as a proxy for institutions’. In contrast, in the later popular work of the authors, the proclaimed effects and the descriptive features of such institutions are, confusingly, run together:

Inclusive economic institutions, such as those in South Korea or in the United States, are those that allow and encourage participation by the great mass of people in economic activities that make best use of their talents and skills and that enable individuals to make the choices they wish. To be inclusive, economic institutions must feature secure private property, an unbiased system of law, and a provision of public services that provides a level playing field in which people can exchange and contract; it also must permit the entry of new businesses and allow people to choose their careers. (Acemoglu and Robinson, 2012: 74–75)

The first sentence refers to desired effects rather than the features of institutions that might be hypothesized to lead to those effects. The second sentence, focused entirely on market freedoms and largely on property rights, does describe such features. Concerns with breadth of ownership, public goods provision, etc. appear to have entered only in the subsequent popular work and not to have played *any* role in the statistical exercise undertaken in the original papers arguing for a central role for ‘good institutions’.

There is a similar obscurity about the concept of inclusive political institutions. The authors state that, ‘We will refer to political institutions that are sufficiently centralized and pluralistic as inclusive political institutions. When either of these conditions fails, we will refer to the institutions as extractive political institutions’ (ibid.: 81). This description suggests that ‘inclusive political institutions’ are those that have a degree of democratic character, but no formal definition is given, nor a criterion as to what constitutes sufficiency of the traits mentioned. There is not a single reference to the concept in the preceding body of academic research (Acemoglu et al., 2000, 2001, 2002, 2005), making its sudden introduction in the later popular presentation of these ideas seem opportunistic and unsupported.

It can be seen therefore that at the centre of the authors’ work is not the concept of inclusivity but that of property rights protections. In this, the authors build on the work of an earlier Nobel Prize winner in Economics, Douglass North, who had also emphasized that property rights protections are the elixir of growth. (No matter that soon after winning the prize, and indeed in his very Nobel Prize lecture, North went on to adjust his message.³) But, as noted, the authors have attempted to add an additional gloss to what is at core a property rights concern, by ‘spinning’ the institutions that protect property rights as ‘inclusive economic institutions’. Finally, the ‘good institutions’ (those that protect property rights)

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3. Having argued that the promotion of aggregate national wealth through robust protection of private property rights was *the* central reason for particular institutions to emerge or to prevail over time, North (1993) proceeded — perhaps recognizing that the excessive economy of this view was factually unsustainable and a conceptual embarrassment — to acknowledge the role of diverse other factors. Even within a mainstream economics repertoire of concepts, factors causing a multiplicity of ‘equilibria’ to be possible in the game of institutional choice, or for a non-wealth-maximizing institutional outcome to prevail, might include the presence of objectives other than wealth maximization, collective action problems, commitment problems, transactions costs, path dependence, norms and culture, uncertainty, behavioural and perceptual imperfections, etc.

are interpreted recursively as those which were successfully transplanted from elsewhere. In their places of origin — in Europe — these ‘good institutions’ had been chanced upon or developed, and maintained, for their combination of wealth-generating properties, as North had argued, and their political appeal; because the wealth that was allegedly widely distributed by ‘inclusive economic institutions’ was in turn protected by vaguely defined ‘inclusive political institutions’.

These good institutions were not transplanted everywhere, we were told, and this is what explains subsequent variation in economic performance. This raises the question what then accounted for where they were successfully transplanted. It came down to another explanatory factor, namely whether a sufficient number of colonizers had arrived on the scene and had been able to establish themselves as a dominant force, by beating back natives and disease. The colonizers had been able to do this in the temperate regions of the world with few and unpowerful Indigenous people but not in the tropical regions teeming with inconvenient natives too numerous to be fully displaced or subordinated. In the latter, the colonial power settled for a more ‘extractive’ mode instead. This made the difference between the countries with ‘good institutions’ — colonies such as Australia, Canada or the US with robust property rights established by surviving settlers — and those with ‘bad institutions’ (all the others among those countries which had been directly or indirectly colonized).⁴ A correlative finding was that it was better to have been colonized by some European colonizers than by others, because their institutions differed in quality, leading in turn to different quality institutions bequeathed to their spawn. The British had the best institutions, with the French, Spanish and Belgians having increasingly inferior ones.⁵ (One might be forgiven for thinking this a rather Monty Pythonesque view of the

4. See, for example, Table 4 and related discussion in Acemoglu et al. (2000: 20–22).

5. See Table 6 in Acemoglu et al. (2000: 49). Despite this finding, based on their regression analysis, the authors contrast their perspective with that of previous authors. They write that:

Similarly, North, Summerhill and Weingast (1998) argue that former British colonies prospered relative to former French, Spanish and Portuguese colonies because of the good economic and political institutions they inherited from Britain, and Landes (1998, Chapters 19 and 20) stresses the importance of the culture inherited from Britain in these colonies. In contrast to this approach, which focuses on the identity of the colonizer, we emphasize the *conditions in the colonies*. Specifically, in our theory — and in the data — it is not the identity of the colonizer that matters, but whether European colonialists could safely settle in a particular location: where they could not settle, they brought worse institutions. (ibid.: 5, emphasis in the original)

The authors underline, therefore, that they focus upon the ostensible growth-promoting role of property rights protections as such (enabled by the presence and dominance of Europeans) rather than upon the relative superiority of specific European institutions. Whether this methodological nuance expands or diminishes the chauvinism of the argument is open to question.

world.) The mortality rates of European colonizers are both a direct explanation and an indirect indicator of success in transplanting good institutions, enabling them to be used statistically as an instrumental variable. The great ‘natural experiment’ of colonialism (a strange description from the perspective of the colonized, for whom it must have seemed anything but natural), mediated by settler mortality and native population sizes, provided a way to form inferences about how institutions affect development.⁶

The authors have made other arguments, but this is their earliest and remains the most widely known. The idea of extractive institutions certainly captured something important, although in itself it was not especially original. Theorists of development, known to readers of the political economy of development (and cited to a very limited extent by the authors), had long pointed out that the mining and plantation-centred economies of Southern Africa and Latin America, for instance, retained central economic patterns which were legacies of colonialism, maintained by post-colonial elites for their own reasons. This insight was central to the work of dependency and world systems theorists, in particular Andre Gunder Frank, Paul Baran and Immanuel Wallerstein, as well as those in Marxian-influenced third worldist scholarship generally, such as Amiya Kumar Bagchi. These scholars also saw the insertion of the developing countries into an unequal world order which maintained their subordinate position as resource exporters in the international division of labour as being central to a description of that order. In this framework, the relevant causal factors were not only internal but also external. More recently, the idea of the resource curse has come into currency. Earlier authors had also long emphasized that colonies came in different kinds, including privileged ‘Neo-Europes’ of dominant European settlement — a concept originating in Crosby (1986) and cited by Acemoglu et al. — and disprivileged others. Whereas all colonies contained both ‘citizens’ and ‘subjects’ (Mamdani, 1996), the privileged Neo-Europes possessed a complexion which reflected the prevalence as well as the dominance of settler colonist citizens. What, then, of this thesis was original — and was what was original also good?

TIES OF BLOOD AND WATER

As any student of statistics as applied to economics knows, the use of the correct variables in ‘specifying’ the statistical test being done is quite essential, and applying the right interpretation to the variables one employs is equally important. In all of their statistical exercises, aimed at showing that ‘good institutions’ involving property rights protection arose where white

6. ‘Speaking from Athens after the prize was announced, Acemoglu said the trio’s work could best be summarised as the study of the “natural experiment” created by colonialism’ (Strauss, 2024).

settlers were able to establish themselves better, had Acemoglu et al. omitted to include a crucially important variable which was right in front of them?

One might call this omitted variable, referring to whether the preponderance of residents of a given colony was closely related to the population of the European colonizer or the home country, 'Kith and Kin'. This variable might take on a value of one if a sufficiently large proportion of the population in a given colony claimed descent from the mother country and zero otherwise, although the particular specification is hardly the issue. It is well known, after all, that for centuries large numbers of migrants left the British Isles and other places in Europe to settle elsewhere in the British Empire, and similarly in the case of some other European colonizers. These included not only the working classes but also at times the second and third sons of the affluent. Emigration provided a vital outlet for European workers in a time of demographic expansion and helped avert conflict at home by providing material opportunities as well as a chance to partake in the symbolic goods of imperialism including its racial order. These opportunities also provided a way to salve the wounds generated in internal battles, binding subordinate people to emerging nation states by sharing with them the fruits of colonial enterprises — as notably was the case with the Scots and Irish within the United Kingdom.⁷ Would it at all be a surprise if these ties of blood and culture led to ongoing benefits for the descendant populations?

This variable would presumably be strongly correlated with the mortality of European settlers (with those places having higher mortality also ultimately having fewer people of European descent) and with the original population of natives (as a larger population of natives would presumably also lead to there being an ultimately smaller proportion of European descent).⁸ As a result, an analysis including this variable would have similar results to those found by the authors, but a very different interpretation: the disproportionate successes of the 'Anglo-Saxon' peoples could be perceived as being due to blood being thicker than water, and not 'good institutions'. Indeed, even without re-running the statistical analysis with this new variable one might simply reinterpret the existing analysis along these lines: zones of settlement by Anglo-Saxon colonizers succeeded so well because they benefited from privileged association with the mother country rather than because they brought with them 'good institutions'.

Already in *The Wealth of Nations*, Adam Smith (1776/1789/1904) had discussed the appropriate attitude of the mother country toward settler colonies as being that of a nurturing parent to a child.⁹ In this discussion,

7. See, for example, Colley (1992) and MacKenzie and Devine (2011).

8. The mortality data have come in for serious criticism, for example, by Albooy (2008), who has suggested that much of the data relates to groups such as soldiers and does not provide a direct source of information on the mortality rates faced by settlers as such, thus seriously undermining the statistical results.

9. www.econlib.org/library/Smith/smWN.html

Smith drew on his understanding of the experience of the ancient Greek colonies in the Mediterranean: ‘The mother city, though she considered the colony as a child, at all times entitled to great favour and assistance, and owing in return much gratitude and respect, yet considered it as an emancipated child over whom she pretended to claim no direct authority or jurisdiction’.¹⁰ Smith wrote explicitly of the need to repair the relationship with the mother country of the restive American colonies on the eve of the revolution, in similar terms:

By thus parting good friends, the natural affection of the colonies to the mother country which, perhaps, our late dissensions have well nigh extinguished, would quickly revive. It might dispose them not only to respect, for whole centuries together, that treaty of commerce which they had concluded with us at parting, but to favour us in war as well as in trade, and, instead of turbulent and facetious subjects, to become our most faithful, affectionate, and generous allies; and the same sort of parental affection on the one side, and filial respect on the other, might revive between Great Britain and her colonies, which used to subsist between those of ancient Greece and the mother city from which they descended.¹¹

Moreover, it is not for nothing that Winston Churchill (1956–58) wrote *A History of the English-speaking Peoples*, which focused on these ties of race and language, or that such figures as Andrew Carnegie (in Churchill’s day) and Conrad Black or Boris Johnson (in ours) spoke of their political kinship and called for ever-closer ties. It is also well known that in the British Empire — and similarly in the other colonial empires too, such as the French and the Portuguese — a system of Imperial Preference provided explicit benefits in the form of lower tariffs and other supports to the self-governing dominion overseas populated overwhelmingly by the descendants of British settlers — benefits which were denied to other subordinated colonies which were handled in a mode of extraction instead of ‘co-prosperity’. The privileged British dominions settled by kith and kin were, along with the United States, the largest recipients of British overseas investment (in considerable measure financed by the proceeds of colonial enterprises elsewhere, because of their foreign exchange earnings from exports of tropical products to the rest of the world, which for Britain itself had begun to wane) during the 19th century. The authors (see Acemoglu et al., 2002) give central importance to the role of good institutions in encouraging investment but do not distinguish between those forms of investment arising from within (perhaps due to the incentives to save and invest provided by private property rights protections) and those resulting from the direction of foreign savings in a preferential manner toward the colonies. It is well established that enormous quantities of British capital flowed to the British colonies and to the United States in the 19th century.¹²

10. *Ibid.*

11. *Ibid.*

12. On the British foreign investment pattern in the 19th century generally, see Jencks (1973) and on the investment in the US railways in particular, see Adler (1970).

According to Jencks (1973: 426), more than a quarter of British securities issued in London around the mid-century were for United States railways alone. The various racial preferences that structured economic life, not only between different colonies but also within them, relating to tariffs and trade, access to credit, investment opportunities and labour mobility, were extensive and have been well documented.¹³ But perhaps most importantly, the development of a large and ever-growing overseas population with a command over ample natural resources that was at the same time deeply integrated with the mother country and with one another through a flow of goods, people and ideas, created a commonwealth of shared prosperity.¹⁴

The presence of large numbers of kith and kin (indeed the dominant share of the settler population) would also explain the seemingly broad nature of the property ownership pattern in these societies, central to the definition of ‘good institutions’ of the authors, which *a priori* excludes instances of highly concentrated ownership. The settler colonies encouraged settlement through land grants and other property-distributing mechanisms directed specifically at kith and kin, so as to encourage economic expansion and secure an ever-shifting frontier. It is not surprising that these relatively internally equitable communities (notwithstanding their exclusion of Indigenous people, and also their use of slaves, in the US case) engaged in early and robust public goods provision (for themselves) in the form of the provision of universal schooling and other goods. This observation is compatible also with the very important arguments of Kenneth Sokoloff and Stanley Engerman (2000) which emphasized the divergence between North and South America that resulted from differences in the level of equality of their asset ownership patterns,¹⁵ causing differences in political dynamics and in public goods provision — particularly evident in attitudes and approaches to education, and therefore in human capabilities consequential for later growth.

Viewing the findings of the authors in terms of Kith and Kin, then, might seem to offer an alternative interpretation of the outperformance of those settler colonies that were not ‘burdened’ by diseases and natives. In short, the countries with ‘good institutions’ are those that the dominant powers of the age treated well and set off to a good start because of their special relationships with their kith and kin. Those with ‘bad institutions’ are those that they subjected to depredations or to varying degrees of underinvestment and benign neglect, because their primary use was to be pillaged, with the few kith and kin who remained there gaining benefits from being at the helm of

13. See, for example, Bagchi (1982).

14. See Bellich (2009). For Europeans, the favourable balance of people and natural resources was another helpful effect of their settlement in areas that were not already densely populated.

15. Especially in land, with South America having high concentrations of ownership that North America did not.

an exclusionary and oligarchic structure, or being replaced by post-colonial elites who came to play a similar role. These countries also inherited political and institutional orders that remained oriented toward the management of subject populations rather than toward true self-governance by citizens. This is evident, for instance, in the relative underdevelopment of municipal government and public goods provision generally, and the relative overdevelopment of police forces and armies in many such countries, visible at independence and continuing to this day. Alavi (1972) was one of the first to identify this point.¹⁶ The extractive and oligarchic nature of such regimes (as described in Acemoglu et al., 2002) was widely recognized in the long-standing literature on colonialism.

The idea that it is ‘good institutions’ and ‘bad institutions’ (defined centrally by property rights protections) that matter is — in this reading — a false inference, with Kith and Kin being the more relevant explanatory factor. In its ‘Scientific Background’ document, The Nobel Committee notes that:

A more serious concern for the validity of the exclusion restriction is if the settlers also brought with them their know-how and human capital, and if these factors have had a direct effect on long-term prosperity for a given set of colonial institutions. In a rebuttal to Glaeser et al. (2004), Acemoglu, Gallego and Robinson (2014) concluded that there is more support for the argument that where the Europeans settled, they also established institutions that supported the education for large portions of the population. Ultimately, however, human capital and institutions are both determinants of growth, and it is very hard to distinguish Acemoglu, Gallego and Robinson’s argument from the fact that human capital has an independent effect on growth.¹⁷

Much the same might be said about Kith and Kin as about ‘human capital’. Whereas the human capital thesis relates high performance to internal traits (skills, culture, or genes?) of the settler populations, the Kith and Kin thesis relates high performance to privileged economic relations within the imperial context. The Nobel Committee has taken seriously (and not rejected) the critique of Glaeser et al. which ascribes outperformance to the superior ‘human capital’ of Europeans, but it has failed to consider the also highly plausible argument concerning the role of Kith and Kin.

Whereas the interpretation of the statistical results in terms of property-respecting and property-entrenching ‘good institutions’ places the emphasis entirely on internal causes, the alternative explanation in terms of Kith and Kin recognizes that international economic relations played an important role in determining the possibilities for growth and development, and that these were structured in nationally (and at times racially) preferential ways.¹⁸ These historical patterns may in turn have had ongoing

16. See also, more recently, Mamdani (1996).

17. See p. 17; www.nobelprize.org/prizes/economic-sciences/2024/advanced-information/

18. This may be one manifestation of what Fraser (2022), following W.E.B. Du Bois, has referred to recently as the ‘global color line’.

consequences because they have shaped both the internal order and aspects of the international economic system, in particular its division of labour. It is not necessary to believe that initial conditions are destiny in order to recognize that they matter. Post-colonial nations have faced a ‘gradient’ when attempting to transform their economic conditions, defined in part by internal structures and in part by the features of the international system and its historical division of labour. A gradient creates a difficulty but not an impossibility. Some have therefore, at least partially, succeeded. The failure to consider a Kith and Kin interpretation is only one example of the authors’ fast and loose, uneven and baldly ideological¹⁹ approach to concepts and to history.

WHAT REALLY WORKS: PROPERTY RIGHTS PRAGMATISM

The definition and protection of private property rights within an Anglo-Saxon framework of law²⁰ seems to have been neither necessary nor sufficient for sustained economic growth. The most outstanding examples of countries that have escaped the economic periphery and moved toward the core of the world economy in recent years are the East Asian late-developing economies. In the successful East Asian countries and elsewhere, high levels of investment were not primarily driven by private property rights protections but by a variety of other factors that led to unprecedentedly high levels of savings and which concentrated and directed these savings.²¹ In many instances, property rights, while often respected, were also maintained as ill-defined in order to be strategically manipulable by a developmental state (this is as much true of China today²² as it was of

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19. Andre Gunder Frank might have used the formulation ‘metropolitan’ to refer to the Eurocentric and Northern biases that are involved.
 20. The authors appear to have in mind (although they do not elaborate on this) a Blackstonian concept of law and not a Hohfeldian one, which would allow for a broader interpretation of how property rights can be defined and distributed. For instance, many traditional societies (including England’s) had recognized distributed rights to land, such as distinct but overlapping rights for grazers and cultivators. The supplantation of these richer understandings embedded in norms, with a view of land as owned by one person in whom would be vested all rights and signified by a deed, was not the ‘establishment’ of property rights but their conversion into a new form (and often, in fact, an outright expropriation, as in the case of the enclosures in England). Similar processes took place in all European settler colonies. Such expropriation and conversion were central to the creation of inequalities in land everywhere, and in particular in former colonies.
 21. These ran a gamut from postal savings banks to provident funds. On East Asian high saving rates, and more generally the role of directed savings and investment, see, for example, Alice Amsden (1991), Chalmers Johnson (1982) and Robert Wade (1990). In some countries, in particular China, sizable quantities of foreign investment appear to have been encouraged by high growth rates and the prospect of future returns, *despite* the lack of robust property rights protections.
 22. For an important early contribution on this point, see Weitzman and Xu (1994).

South Korea and Japan earlier).²³ Even in the Anglo-Saxon derived countries, it has long and widely been understood that private property may at times become an obstacle to economic growth and other public aims — for which reason it is accepted that a state may use eminent domain to construct vital infrastructure such as roads or dams. The locking up of ideas in the form of ‘intellectual property rights’ enforced by patents, copyrights and other means have also rightly come in for much criticism in recent years, and it is well understood even by mainstream economics that these generate sizable costs to society, by making useful goods and services unavailable to those who could benefit from them, and by damaging further innovation that builds upon the existing stock of ideas.²⁴ Successful former British colonies that have seemingly embraced property rights protections have also selectively deviated from property rights orthodoxy in order to address particular challenges (for instance, in the case of Hong Kong and Singapore, restricting private land ownership rights to ensure availability of housing). This is not to deny that there are cases in which the insecurity of property rights has plausibly been damaging for productivity and investment, and therefore for growth and development. But it would seem, even within a perspective that accords importance to property rights, that property rights pragmatism — and neither property rights maximalism nor absolutism — enable development, by providing a balance between protections and exceptions, and by structuring rights in pragmatic and sensible ways.

EXCLUSIONARY INCLUSION

Perhaps the worst example of the authors’ inverted approach to concepts is that they describe the property rights-entrenching economies that they favour as ‘inclusive’ by way of contrast to resource-centred ‘extractive’ economies. But the existence or enforceability of property rights by themselves do not in themselves ensure inclusivity. Far from it. As the philosopher John Rawls put it (drawing on the ideas of the British economist James Meade), a property-owning democracy with widely distributed ownership, along the lines envisioned in the early American republic,

23. We do not take up here the broader role and history of the developmental state, which the authors appear entirely to neglect. Long before East Asia, there were historical examples from Europe and its colonies: perhaps most intriguingly, the often overlooked but once hugely influential British Board of Trade, founded in 1622 as ‘The Lords of the Committee of the Privy Council appointed for the consideration of all matters relating to Trade and Foreign Plantations’ and continuing to this day. On its role in the colonization of Australia and the British expansion in the Indian Ocean generally, see, for example, Frost (2003, 2012).

24. Another winner of the Nobel Prize in Economics, Joseph Stiglitz, has been a consistent and eloquent advocate of this view. See, for example, Stiglitz (2014) and Grossman and Helpman (1993).

and drawing on English utopian ideals, is as different as night from day when compared with a plutocratic oligarchy. Many of the settler colonies that established robust private land ownership did so in a manner that permanently denied rights to land to the native inhabitants who had previously lived upon and benefited from it, in order to create land holdings of often enormous scale. These inequalities have structured further inequalities in an ongoing manner. This is as much true in Britain — where today's still highly unequal landholdings have ancient provenance, and continue to shape modern inequalities — as it is in some of its former colonies, which verge on oligarchic levels of concentration of economic and political power (see Winters, 2011). Among OECD countries, neither Britain nor the United States can be called especially equal, although they have quintessential 'good institutions' according to the authors' institutional criteria of reported high 'constraints on the executive' and low *current* 'expropriation risk' (Acemoglu et al., 2002). To assert then, without qualification, that property rights protections are the basis of an 'inclusive' economy is to speak in a manner that positively borders on the Orwellian.

And what of 'inclusive' political systems? It should be noted that it was *only* in the dominions privileged by their racial kinship with the mother country that self-governance and wide franchise existed within the colonial world, and there too only after in some cases lengthy negotiations. In all of the other colonies, on the other side of the global colour line, political power was jealously guarded and doled out slowly, fitfully and limitedly. The lengthy and painful process by which political rights for 'natives' were expanded, and only ever to a limited extent, in British India, provides one of many examples.

Where (almost everywhere) political systems established under colonialism were not 'inclusive', that is primarily because there were too many and too restless a group of natives who had to be excluded in order to maintain the political and therefore the economic supremacy of the settlers. In the privileged settler colonies, in which the natives were — or came to be, at times due to murderous or even genocidal actions — small in number and their traditional rights extinguished by fiat, an 'inclusive' political system could be established without sacrificing settler privileges. The number of the natives was too small for them to count. Inclusivity was made possible by *prior* exclusion. If this was inclusivity, then, it was frequently the inclusivity of the desert.²⁵

That inclusive political institutions (including in particular democracy) have many advantages, such as providing a framework for the management of internal conflicts, is not in doubt, and has long been

25. 'To ravage, to slaughter, to usurp under false titles, they call empire; and where they make a desert, they call it peace', Tacitus, *Agricola*. For the online source consulted, see: www.gutenberg.org/files/7524/7524-h/7524-h.htm

recognized. The functional advantages of inclusive political institutions surely help to account for their origination and widespread adoption. But such inclusion has a complex history in which political and economic claims have been closely related. The claims of property owners for security and regularity of expectations and for freedom of commerce have at times driven what we have later come to see as democratic demands. (The assurance provided to owners of property in the Magna Carta is a case in point.) But democracy has also at times been seen as being at odds with security of property rights, which is why many defenders of property have sought to constitutionally protect it from the reach of democracy, as evinced in the writings of James Buchanan, Gordon Tullock and other members of the Virginia School, and of Austrian economists such as Friedrich Hayek. The idea that all good things go together is central to the authors' perspective. But their conception of the good things is unusually narrow and does not permit a recognition of the tensions that exist between the different aspects of 'good institutions', as they themselves describe them. It is wholly plausible, although not original, to argue that inclusive economic systems and inclusive political systems enjoy a complementarity (or to use an earlier language, an elective affinity). What is less plausible — although it is decidedly original — is to give overwhelming priority to property rights in defining and interpreting both of these terms.

CONCLUSION: THE GOOD AND THE ORIGINAL

Even if one sees widely distributed property rights as a guarantor of liberty and of sustainable political inclusion (as did early republicans in America and elsewhere), there is the question of how best to attain and to sustain them. Entrenching property rights in law can be as harmful as it can be advantageous, as it may threaten to freeze a highly unequal, unjust and plausibly also inefficient order in place. Much depends upon the specific conditions that obtain.

The case of concentrated land holdings deriving directly from the exclusionary acts of settler colonialists provides a particular case of the more general problem. The ongoing impact of historical injustices calls for some correction, with it being plausibly argued that efficiency as well as equity can thereby be advanced, at least if the corrective is designed and implemented carefully. It is no accident that land reforms and calls for wider land rights, especially but not exclusively for Indigenous people, have been a central political demand in many countries, with it at times being seen as necessary to secure peace as well as desirable economic outcomes. The importance of land reforms in generating political stability and creating conditions for subsequent agricultural and educational development has been surprisingly widely recognized in the past, and not only on the part of left-wing advocates (e.g., by late Tsarist Russia, and by the US occupying authorities in

Japan and Korea). In such a case, the property rights of some are likely to have to be weakened or qualified in order for property for others, or rights more generally, to be secured.

The maxim of property protections *über alles* hardly serves societies well. It may be objected that this is not what was intended. In that case, there is a need for a more adequately calibrated theory of how and when property rights of different kinds matter, and why. Being for or against property rights is as silly as being for or against culture.²⁶ As welcome as it is to try to cut through the fog, the question must be more nuanced than that. What arrangements of rights work best for specific purposes is an important question, and there seems little doubt that the definition and protection of property rights can have an important role to play. But reducing the question to one of whether institutions ‘matter’, where institutions are largely reduced to property rights protections, and in turn run together with ‘inclusivity’, seems primarily an ideological act — and an evasion of the responsibility to understand the world let alone to change it.

Why does a hypothesis phrased in a simplistic way enjoy such influence? There are many explanations. Under-complicated framings (e.g. geography matters vs institutions matter) derive from the scientific²⁷ atmosphere of mainstream economics. The fact that the prevailing, and indeed the most appealing, hypotheses may be the products of intellectual or cultural prejudices and blinkers does not give rise to much self-inspection. The ideas gain influence because they are produced by insiders, who are legitimated by their place in apex institutions, giving them a bullhorn, helping to disseminate the ideas widely,²⁸ and garnering for them a presumption of authority and legitimacy. And they are enabled by a prevailing supposition — not wholly without justification — that property rights protections are of great importance in encouraging good husbanding, investment and entrepreneurship.

Is there a lesson? ‘It’s complicated’ is not enough, but neither is ‘It’s simple’. Occam’s Razor has much to recommend it, but so does the maxim sometimes attributed to Einstein: a framework for understanding ‘should be as simple as possible, but not simpler’.²⁹ It is good form to credit the winners of an award with an achievement. But the problem is that the Nobel Prize in Economics generates an implied hierarchy of knowledge, and rewards particular ways of thinking. This in turn has great consequence for what ideas are spread and adopted, within the discipline and in the world at large — a world needing answers. For this reason, it is too important to ignore.

26. Amartya Sen has recalled being asked by a member of an audience, ‘Do you like culture?’. He reports responding ‘yes’ before fully realizing how absurd the question was.

27. Scientism refers to the image without the actuality of scientific endeavour. See, for example, the writings of Hayek (1944) and Midgley (1992).

28. From N to A as it were ... from the National Bureau of Economic Research to the *American Economic Review*.

29. See: <https://quoteinvestigator.com/2011/05/13/einstein-simple/>

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Sanjay G. Reddy (reddysanjay@gmail.com) is Professor of Economics, The New School for Social Research, New York, USA.