To Determine Factors Leading to the Successful Development and Prosperity of Nations

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Abstract
Throughout the course of history, there are multiple factors that may determine the success of a nation, or the failure of a nation. This paper underlines the factors that make nations powerful and prosperous while analyzing several institutions such as mainly focusing on institutions such as democratic institutions, history, culture, ideology, geography, and economic resources that shape the nations’ prosperity and development. It examines the institutions that fortify the foundation of the nation’s building. To further analyzing the factors, the paper pursue to find answers to what are some institutions factors as driving force and what to extend they are effective in nation’s prosperity and development? Which institution is extractive and which one is inclusive? The successful nations of the past carry on their civilizational legacy to present-day nations and continue to influence their institutions in the present time while the failed civilizations are largely forgotten, obscured and left in the dustbin of history.

Keywords: Culture, Democratic Institution, Extractive, History, Inclusive

Introduction
There are many factors that play significant role in the successful development of Nations. Institutions have immense positive impact on nations’ development. They are vital when discussing the prosperity and future of nations. Institutions are human foundations that define behavior within social, political and economic patterns. It is important to study institutions because humans define institutions. The rules and restraints that make up institutions may consist of both informal (customs, traditions, cultural norms) and formal (laws, rights, policies) sets of rules (North, 1991: 97). Institutions are important to discuss with regards to the politics and the development of nations because they are created from man to ensure order.

The success of prosperous nations usually cannot be explained through one single factor. Usually, there are multiple factors that determine a nation’s success. Some nations are rich and powerful because they are blessed with valuable and high-demand (and oftentimes, scarce) resources that are available within their borders. Some nations have dominant cultures that stress the importance of values and ideologies that promote or emphasize productiveness, entrepreneurship and honesty. Some nations have a good history or a glorious past in which the nation had a path of prosperity opposite to a history of subjugation, exploitation or systemic bad leadership. There are even some who argue that institutions are the most vital element of success for nations, and that the aforementioned factors matter very little to the relative success of modern nations.

The Factor of Democratic Institution
Democratic system as an Institution is one of important factors of most institutions, especially those in nation-states with democratic regime-types, is the implementation of democratic systems as well as factors that sustain democracy. Whether democracy makes up institutions or whether institutions enable democracy is important to understand. Should democracy precede prosperity and development, or is it better that nations develop and become rich before they undertake democratic developments in their political systems? Some scholars say that economic development and prosperity do not precede democratization. That authoritarian regimes are not necessarily the stepping stone to democracy after periods of economic development and that one former authoritarian nation cannot effectively predict the outcome of all other cases (Alvarez, Cheibub et al., 2009: 86-87). They have even argued that people within democratic regimes are more likely to allocate their resources and investments more effectively than people living under authoritarian regime types, even though population growth in authoritarian nations tend to be higher than growth in democratic ones (Alvarez, Cheibub, et al., 2009: 87). While nations need not follow a set path from authoritarianism to democracy; by attaining wealth and development beforehand, being wealthy and developed can facilitate the strength of democratic regimes and make them more stable. Better developed nations can safeguard democracy (Alvarez, Cheibub, et al., 2009: 88). Other factors that have been listed as factors for survival of democracies include the economic performance; or growth of nations’ economies. The best conditions for the survivability of democracies in poorer nations are that of high-rates of growth with moderate rates of inflation (Alvarez, Cheibub et al, 2009: 89).

With regards to Institutions, a very important factor in the strength of democracies that is argued in Democracy: A Reader, is the type of democratic system employed in nations. Alvarez, Cheibub, Limongi and Przeworski argue that parliamentary systems are favorable over presidential systems. In presidential systems; during

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elections for executive officer, there can only be one winner. Losers of general elections much of their power and political significance and it is common for defeated candidates to leave their offices entirely. In parliamentary systems, losers of general elections tend to retain a lot of power; often becoming strong opposition leaders against their victors. In presidential systems; the chief executive of the government acts as the head of state, and as a result; partisan interest of the chief executive’s party can be confused with national interest. The partisan interest of the chief executive can, in many cases, conflict with national interests and development (Alvarez, Cheibub, et al, 2009: 91). In presidential systems, legislation majorities are more frequent, and when the legislative majority in the legislature is the opponent to the chief executive (ie: the majority party in the legislature is different from the president’s political party), there is potential for executive-legislative gridlock (Alvarez, Cheibub, et al, 2009: 92). In many cases; gridlock and disagreements between branches of government in democratic nations can impede action taken by government on economic matters, and as such; development of the nation can be slowed by the implications of executive-legislative gridlock in presidential systems. Sometimes, a nation’s development and prosperity can be fueled not only by democracy, but the type of democratic governance it carries. The survivability of parliamentary democratic systems are, by average, much longer than the survivability of presidential democratic systems. The life expectancy of presidential democracies is under twenty years, while parliamentary democracies usually last for over seventy years (Alvarez, Cheibub, et al, 2009: 92), parliamentary democracies are more durable. With the parliamentary system more durable than the presidential system, parliamentary systems are more likely to be stable than presidential systems, and stability may be a key to the development and prosperity of nations, in that governments that change more often, because of the failure of one system, will likely be more chaotic. Stability of government is needed to facilitate the growth and development of nations. The development and prosperity of nations is not so much dependent on the regime-type of nations; there is not a strict requirement for democratization with regards to economic development and prosperity and nations need not have authoritarian regime-types during economic growth stages before they reach seek democratization. However, economic development and high levels of prosperity and affluence among citizens can help sustain democracy and make them more stable and less prone to failure. Also, the type of democracy can effect a nation’s development as some types of democracies are more stable and more conducive to development and growth than others.

The Factor of Extractive and Inclusive Institutions

The authors of the book Why Nations Fail, Daron Acemoglu and James Robinson argue that good institutions are vital to the success of nations. They draw a distinction between “extractive” and “inclusive” institutions (Acemoglu and Robinson, 2012). They argue that good institutions are usually inclusive, while bad institutions are extractive. Throughout the book, Acemoglu and Robinson argue that institutions are important for a nation’s success. To Acemoglu and Robinson, other factors are secondary to the nature of institutions.

The government of a country can be successful or unsuccessful because of the nature of its institutions. Institutions can be either extractive, meaning they reap from people more than they return. When resources are not returned to the populace, it becomes difficult for the nation to facilitate economic growth and development. Institutions can be inclusive, in which case they are responsive to the populace and allow people greater participation within the affairs of the nation. As a result, the population within the nation is able to contribute and utilize institutions to achieve desired ends for themselves as individuals or collective as a society, which Acemoglu and Robinson argue is desirable. Inclusive institutions can engage in creative destruction, in which changes brought on by institutions that spur innovation and entrepreneurialism damage or annihilate the standing of old elites who benefit from older orders, while giving rise to new elites that stand to benefit from the destruction of the older order and the rise of the new order. It is possible that some factors complement each other in a cycle. Some nations may be blessed with valuable and scarce resources that are in high-demand on the global marketplace or because the resources (e.g. petroleum) are the very fuel for the global economy and marketplace. However, an oil-rich nation still requires entrepreneurial and engineering skills to effectively exploit, extract and refine the resources that are in high demand to sell onto the world market for revenue. A nation may also have a culture, particularly venerable cultural traditions that promote hard work, entrepreneurship and as such, the nation has manifested cultural values to build up effective and good institutions that support economic growth and national development. However, when the old elites lose grasp of their economic power, they also end up losing political significance because of the changes, especially changes brought on by new technology. The old elites often responded violently to changes. In Europe during the Industrial Age, the aristocrats were at the forefront of anti-industrialism and anti-technology movements, such as Luddism. Some of the aristocrats of the old order responded violently by destroying industrial-age machinery that greatly improved manufacturing productivity (Acemoglu and Robinson, 2012: 84-85). Even while the new bourgeois industrialists gained wealth and power, they were still viciously challenged by elites of the old order.

Acemoglu and Robinson are correct that successful institutions are vital to the development of nations. However, they have downplayed and even reject the importance of factors they have listed in the second chapter of Why Nations Fail. They reject that the other factors play important roles in shaping nations (Acemoglu and Robinson, 2012: 45-69). Resources (especially important and high - demand resources such as oil, coal, etc) and their abundance within borders of nations, national cultures, national history and geography often times contribute to the success of nations. Institutions are perhaps shaped by the other factors that Acemoglu and Robinson argue are unimportant.

The Factor of Economic Resources

Resources have always been important to economic growth and development. It is a reality that many functions of the modern world requires natural resources, particularly iron ore, oil, coal, aluminum, uranium, etc. A nation abundant with resources that are vital to the function of modern technology and act as the lifeblood of economies, such as oil for combustible engines or silicon for computing hardware, can become very wealthy and powerful. Nations that have an abundance of important resources can benefit from both having the resource in supply and exporting the resources to nations where there is a demand for the important resources. However, resource availability and abundance may also have its drawbacks. A nation that has an abundance of one important resource may pool most of its capital and efforts into extracting and exploiting the resource, while largely neglecting other economic activities. In that case, the nation’s wealth and power is dependent on the commodity price for the specific resource, such as oil, without other economic activities to fall back on when prices crash.

In Economics and World History, Paul Bairoch argues that the economic success of the United States came from a mixture of vast amounts of arable land, and a “high ratio of land to people.” Bairoch mentions that the abundance of raw materials to facilitate the growth of industry (especially coal and later on, oil), and high population growth, including immigration from European countries during the 19th century added to the economic power of the United States and were vital to fueling economic booms during the period of industrialization in the 19th Century (Bairoch, 1993: 52). The
19th century was a period of differing commercial policies (however, protectionist policies were often preferred over free trade). Bairoch argues that along with commercial policies, abundance of natural resources and large labor pools contribute to the success and strength of nations (Bairoch, 1993: 52).

The Factor of Culture

Culture is another important factor in how nations develop. There are cultures that are more receptive to change and innovation. Some cultures, particularly religious beliefs are not only receptive to prosperity, but even promote ethics such as hard work, innovation and entrepreneurship. George Franke and S. Scott Nadler of the Journal of Business Review suggest that there are cultural values that contribute to the commercial successes of nations. Franke and Nadler made the case mainly for businesses operating in foreign countries; however, their research can be applied on a larger scale in evaluating the success of nations by their cultural values. To Franke and Nadler, collectivism versus individualism as well as values pertaining to the dichotomy (eg: individual competitiveness, initiative and assertiveness versus collectivist dependency, self-control and conformity). (Franke and Nadler, 2008) play an important role in shaping entrepreneurial success of nations. Franke and Nadler also suggest that some cultures are more risk-adverse and are less likely to take risks, which contradict entrepreneurialism. However Franke and Nadler also suggest that individualism and the values associated with individualism may have been the result, rather than the cause of prosperity (Frank and Nadler, 2008). This may not discredit the notion that values are important for the development of nations, and that collectivist values in some societies precede individualist values.

Sometimes cultural values play into the development of certain institutions, such a democratic ones. It is suggested that some cultural values and ideologies, particularly religious beliefs, are more or less receptive to democratization. Samuel Huntington, in “Clash of Civilizations” argues that there may be rejection of solid, democratic institutions in the Muslim world. Huntington stated that the Muslim nations, such as Iran, Pakistan, Turkey, etc. will converge to form economic cooperation unions (and it has already been done with the Economic Cooperation Organization in the 1960s), and in doing so, the increased commonality between the Muslim-majority countries will also emphasize the differences between the Islamic world and the Democratic West (Huntington, 1993: 28-29). Huntington also argues that there is more emphasis on identity, both ethnic and religious. The identity will become so strong, that it will increase the “us versus them” relationship between different cultures, especially with the decline of ideologically defined nation-states, such as the Soviet Union. The increased relevance of religion and ethnicity over ideology with regards to national identity will lead way to nations to define their policies based on religion and ideology as opposed to ideologies and principles, such as democracy, liberalism, and socialism/communism. Increased emphasis on ethnicity and religion will affect policies such as human rights, immigration, economic activities and commerce and the environment (Huntington, 1993: 29). Political institutions in the future will reflect cultural and religious tendencies.

The Factor of History

It is also important to explain the importance of history when discussing the importance of institutions. History is another important factor in shaping the present affairs of nations. There is a great difference between nations that have been conquerors and colonizers versus nations that have been on the receiving end of conquests and colonization. The conquering nations have reaped the spoils of their conquests and many of such nations are wealthy today because of their plunder of other nations and civilizations. The poorer nations tend to be those who have been among the conquered and their resources exploited and taken by their conquerors. A nation’s history and the success of nations in the present may be pre-determined by historical circumstances.

Along with the exploitation of resources by imperialist nations over the poorer post-colonial nations, there are relationships between the wealthy and strong nations and the poorer and weaker nations, especially though international organizations such as the World Bank (Kapoor, 2008: 22). International organizations such as the World Bank act as arbiters of what constitutes as “Basic Needs” or “BN.” The World Bank’s definitions of BNs include food, shelter, clothing, sanitation, education and health (Kapoor, 2008: 22). However, those needs are basic at the individual level, rather than at a societal level. Nations require more than just basic amenities in order for them to be successful. There has to be a stable political order within a nation that facilitates economic development in the first place. Stability would then allow economic development and remove their need for charity. Another demand from the World Bank is “good governance”, which is seen as a supplement to economic development. In the 1990s, public participation was added to the World Bank’s list of “Good Governance.” Along with the push for “good governance”, there was a strong anti-corruption movement that occurred in the 1990s that increased pressure on the World Bank to withdrawals that did not always respect human rights and other political practices. The World Bank consists of wealthier nations that essentially have the power of the purse, and can use their power and wealth to create their definition of what constitutes as “good governance” versus “bad governance.” Control of loans to poorer nations gives western countries significant influence and power over poorer nations. In controlling financial assistance; the West can shape the internal policies of poorer nations to favor neoliberalism or rational intervention in their domestic affairs (Kapoor, 2008: 29-30). The direct control of territory by wealthy and powerful nations over their subjects is uncommon in the contemporary period; however, powerful nations continue to shape the institutions of poorer and formerly colonized nations through the use of international organizations such as the World Bank and the International Monetary Fund.

Along with financial control, there is cultural control. Kapoor argues that wealthy and powerful nations may use human rights and humanitarian causes as means to exercise control of non-western nations and create standards that are unrealistic and contradictory to the cultures of non-western nations, regardless of their local cultures, customs and traditions. Sometimes instead of denouncing the local cultures as primitive, western ideals are placed to high standards and viewed as modern and attractive and are idealized by people in non-western countries, despite the spotty human rights records of many western nations themselves (Kapoor, 1993: 33-37). Political and social activism popular in western nations can be used to shed light on hot-button international issues, atrocities, undesirable figures and the activism is often used as a call for action by governments in western nations. In 2012, there was a popular online video that went viral to millions of denizens titled “Kony2012”, and before “Kony2012”, an earlier online video campaign, “Invisible Children” detailed the use of child soldiers in Africa. In both of those online video campaigns, the focus of attention was on a Central African Warlord named Joseph Kony, who heads the Lord’s Resistance Army that operated mainly out of Uganda. However, even internet campaigns targeted mainly towards younger people can have an influence on relations between powerful nations and weaker nations. The popular “Kony2012” video campaign prompted action from the United States government prompt more action in Uganda and Central Africa. However, Teju Cole, a writer for the Atlantic, believes that activism in many Western Nations, particularly the United States is well intentioned, but the African activism is largely shallow and focuses on issues such as child soldiers, starvation and raped women, however, the deeper and more pressing issues are often ignored or relegated (The Atlantic, 2012). The larger issues (that may be the cause of some of the various other issues that are brought up by activists) include ineffective and corrupt government, the poor infrastructure and floundering democratic institutions in many African countries. Also, Cole mentions that African
Nations have suffered from "Structural Readjustment" programs sanctioned by the International Monetary Fund (The Atlantic, 2012). Activism in wealthier nations, even if they are well-intentioned, often brings up relatively unimportant and petty issues, while crowding out the larger problem.

When the wealthier nations assist poorer nations, the focus is often on a specific issue, such as rape-related atrocities and child soldiering, but never the larger socio-economic issues (which they may have created or exacerbated in the first place). In the example of "Kony2012", Joseph Kony and the Lord’s Resistance Army is no longer a major threat as they once were (The Telegraph, 2012), however, corrupt governments and economic effects of neoliberalism can still be felt. There are very few solutions from the wealthy nations to actually solve the massive problems of developing nations, because humanitarianism favor smaller issues that are often the result of larger issues that are downplayed.

Along with the dialectical history between conquest and subjugation, there are other historical factors that add to the prosperity and strength of nations. Economic policies employed by nations throughout their history, especially during industrialization periods may explain the development nation in the present. In the 19th century, throughout Europe, Bairoch mentioned that there have been different periods of prevailing economic policies that European countries shifted between protectionism and liberalism (Bairoch 1993: 44-52). An observation of European trade policies was that economic depressions came at the peak of free trade/liberal periods, when the effects of liberal economic policies could be accurately measured. Depressions would end and economic recoveries would occur during the peak of protectionist policies (Bairoch, 1993: 46-47). Free trade also had other effects, according to Bairoch, such as lowered standards of living for people employed in sectors heavily affected by free trade policies. In 19th century Europe, farmers were affected the most. When inexpensive grains from non-European countries flooded European markets, European farmers would lower the cost of grains in order to remain competitive, as a result. European farmers earned less from their yields. Cheap and unrestricted grain imports caused an "agricultural crisis" throughout Europe by decreasing the living standards of European farmers (Bairoch, 1993: 47-48). To counter many of the problems of the Agricultural Crisis, European nations were selective in their implementation of economic policies: i.e. free trade during booms and protectionism during busts.

The Factor of Geographical Location

Geostategic is one another factor when determining the successful development and the prosperity of nations. A country that is an area with largely problematic and hostile neighbors will face difficulties developing, because there may be limited commerce, diplomatic exchange and cooperation between nations. Nations with largely congenial nations as their neighbors will experience increased commerce, better diplomatic exchange and cooperation between neighbors. Decreased likelihood of wars and hostility can prevent destruction of nations.

In the age of globalization, the "neighborhood" may be more than just a region a country is situated in, but rather how countries interact with the world. Zheng Bijian argues that the world has become more interwoven and as such, the powerful nations of the world must cooperate with each other in order to maintain stability and their strength. Zheng suggests that stable external environments and a moderate approach to global governance (Zheng, 2011: 24) are important to nations, particularly the successes of powerful nations. Zheng suggests that cooperation in areas like clean energy development and global security, especially in areas of cyber security, maritime security and even outer-space security can facilitate economic growth. Security and stability in the more problematic regions of the of world, such as the Middle East, Central Asia and Southern Asia may be the key to increased overall prosperity (Zheng, 2011: 24-25). if it is fostered by multilateral actions by powerful nations such as the United States, China, Russia, India, etc. While Zheng does not talk about regional stability, the need for global stability and cooperation can undermine the successful development of nations.

Nations may develop institutions based on external factors, such as relations with bordering nation-states. A nation that is in a more chaotic region, with hostile neighbors, will likely develop more militaristic institutions. Wars are especially prevalent in the modern era and much more savage with higher human casualties, despite the shunning of violence and the rise of humanist and pacifist values. However, there are many reasons why the nature of war exists as it does today. The emphasis on the monopoly of violence by the state within its territories has made nation-states more territorial and has allowed for the intensification and increasing brutality of warfare between nations (Malesevic, 2010: 72).

The Factor of Ideology

The growth and increasing significance of ideologies, particularly modern post-Enlightenment ideologies; such as Marxism, Fascism, contemporary Islamism and even (and perhaps especially) democracy and liberalism have led to the justification of violence and warfare (even through savage means) to justify defending or spreading ideological values (Malesevic, 2010: 120-121). Ideology would become an important institution used for war-making. The militaristic and strong nationalist ideals of the fascists during the Spanish Civil War and World War II gave fascists justification for war making. The emphasis on international revolution or the spread of communism “one-nation at a time” by the communists during the Battles against the White Russian Army, Spanish Civil War, World War II and various theaters of the Cold War and justified war making among the communists. The promotion of exterior jihad throughout Muslim lands, against non-Muslim antagonists or the establishment of the Caliphate idealized by modern Islamists, as is the case with Afghanistan against the Soviets in the 1970s and 80s and later on, against the Americans and NATO forces in current Afghan War and in Syria today is the reason for the Islamists’ war making. The promotion of democracy and human rights through nation-building and humanitarin war-making, as was the case with the United States and Western Nations in the Post-Cold War period, as was the case with World War II, the theaters of the Cold War, the Balkan Conflict and the 2003 Iraq Invasion are examples of war-making for the sake of democracy and liberalism.

Another reason for the increased savageness of war comes from inventions and innovations in existing technology such as metal-hulled ships (that could travel faster and carry heavier guns and ordnances), automatic weaponry, high explosives, faster transportation (through railroads and the combustible engine) armored vehicles, aircraft and mass-production. The state and other large entities such as corporations would capitalize on technological advances for their own aims; with the state, new technology would lead to improvements in war-making, especially in maximizing violence against other states, particularly among European states (Malesevic, 2010: 124-125). All of these factors sum up to the nation-state having almost complete, if not complete monopolization of violence and allowed the nation-state to exercise more control over its territories, which was not entirely possible in earlier epochs. There has also been a large-scale pacification of internal violence within nation-states, whether it be through coercion by the nation-state and its monopoly on violence, or the accepted legitimacy of modern pacific and humanist ideals that shun violence by citizens within nations (Malesevic, 2010: 128-129). The increased power that states hold over their territories, the improvement of technology (especially in the way of weaponry and war-making), the rise of new, post-enlightenment ideologies as well as pacificist and humanist that eschew violence towards one’s fellow man (which ironically aids violence monopolies by institutions made up by man) have all contributed to the relationship between institutions and war and violence.
Conclusion

When the different factors Acemoglu and Robinson deem as unimportant are reconsidered and looked at more critically; they become more important to the development of nations and to the institutions themselves. The institutions are the product of a nation’s success. However, it could be argued that institutions can be shaped by resources, culture, history and geography of a nation. A nation rich in oil may develop institutions that revolve around the operations of extracting, refining and exporting oil. Cultures also shape institutions, in that values, beliefs and ethics from cultures can mold institutions around the basis of cultures.

History, especially a nation’s economic history and whether a nation has been a conqueror or among the subjugated, and the powerful influence of international organizations (which are often controlled by wealth, former colonizer nations) may influence current institutions of developing post-colonial nations. To explain the success of nations by only discussing the difference of successful institutions versus unsuccessful institutions would leave out many important details, including the factors of institutions themselves and why the institutions of nations are either successful or unsuccessful in the first place. Outside the measured successfulness of institutions, some factors, such as technological change, changes in religious and cultural outlook and regime types can also influence the course of a nation and its institutions. The development and prosperity of nations does not always have to be gaged with regards to success or failure of nations, but trends and understanding the evolution of institutions.

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A holistic approach overall is required to understand why some nations rise to greatness in the modern era, and why some nations sink to poverty or even collapse and why certain nations-states have developed the way they have. Some nations may not rise to become a power nor may they also decline into failure, some countries are stagnant in their development, neither significantly improving nor declining. Also, whether they rise, fall or do not show relative success or failure may not explain the importance or nature of institutions and the importance of institutions can be discussed from a standpoint in which there is no result or failure, but instead, factors that merely change the institution, either for better or for worse. Different factors should be critically assessed and it is important to understand how the different factors relate to the importance and the success and failures and the dynamics of nations overall.

References


