

LOS ORÍGENES DEL PODER,
LA PROSPERIDAD Y LA POBREZA

POR QUÉ FRAGASAN LOS PAÍSES

DARON ACEMOGLU

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DEUSTO

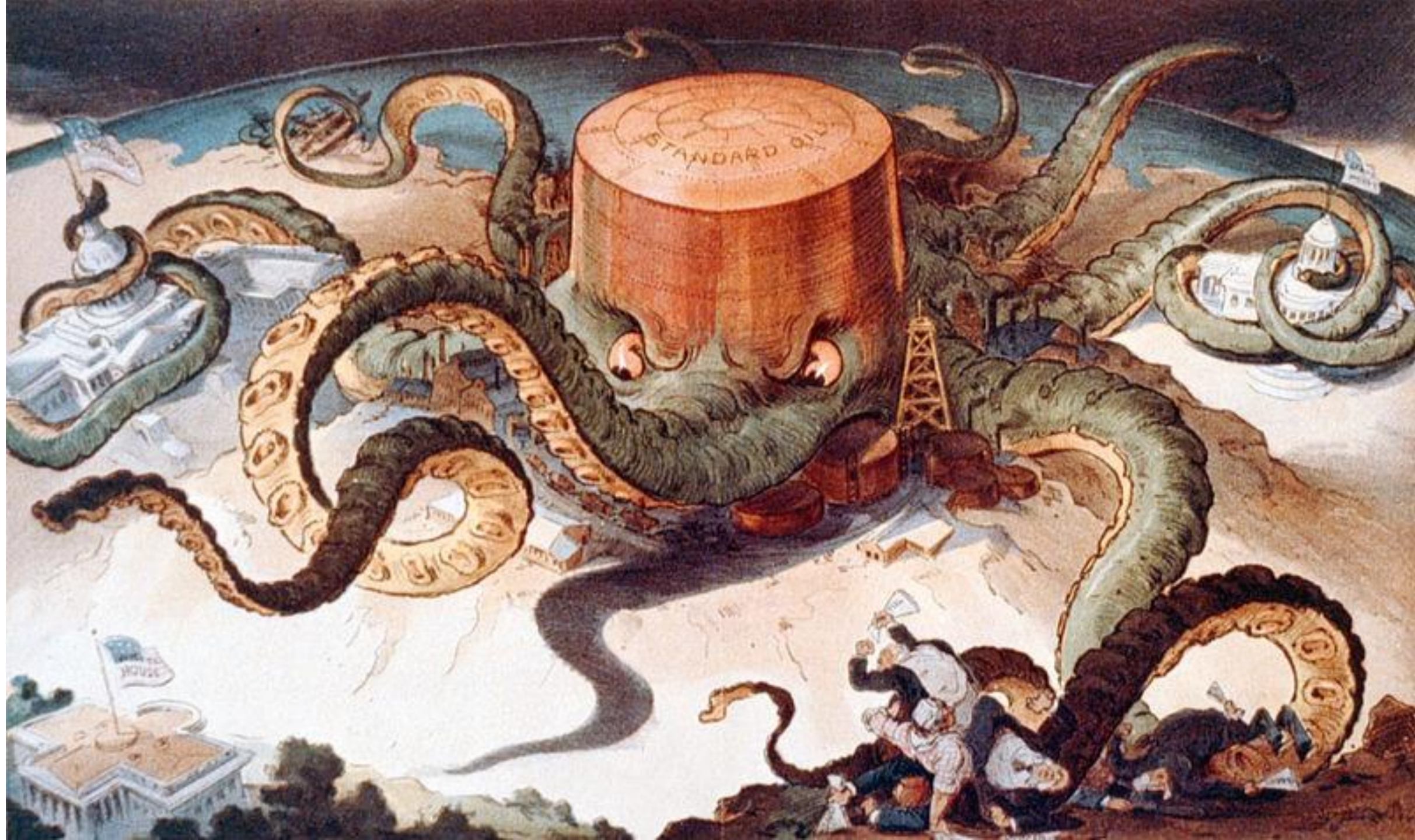
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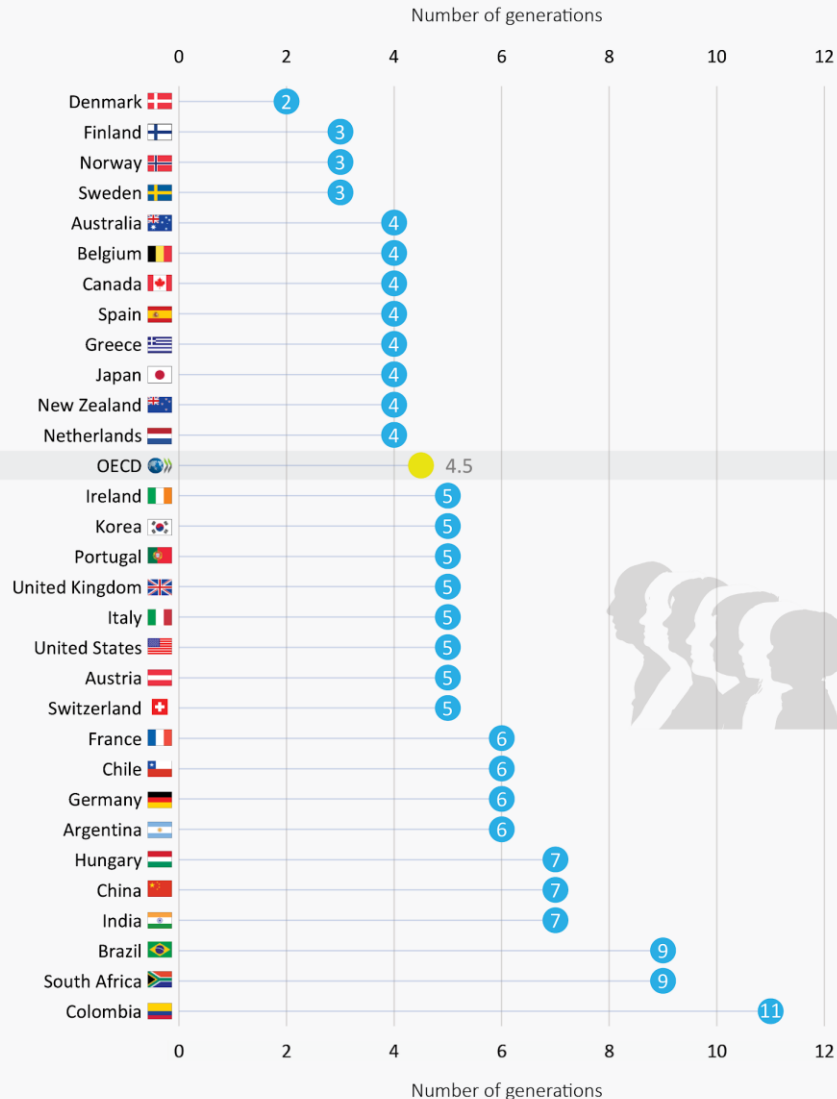
Inclusive and Extractive Economic Institutions

- We know that economic growth is created by innovation, entrepreneurship, saving, and investment.
- These rely on the presence of broad-based incentives and opportunities – created by **inclusive economic institutions**.
- But economic institutions are an outcome of a political process.
- There are always incentives to create **extractive economic institutions**.



Income mobility across generations

Number of generations it would take for those born in low-income families to approach the mean income in their society



Note: Low-income families refer to the bottom 10% of the income distribution, OECD average based on 24 member countries.
Source: OECD: A Broken Social Elevator? How to promote Social Mobility, Figure 1.5
URL: oe.cd/social-mobility-2018

The Difference between Inclusive and Extractive Institutions:
It takes 2 generations to become Middle Class in Denmark. 6 in Argentina and Chile; 9 in Brazil; 11 in Colombia.

Inclusive and Extractive Political Institutions

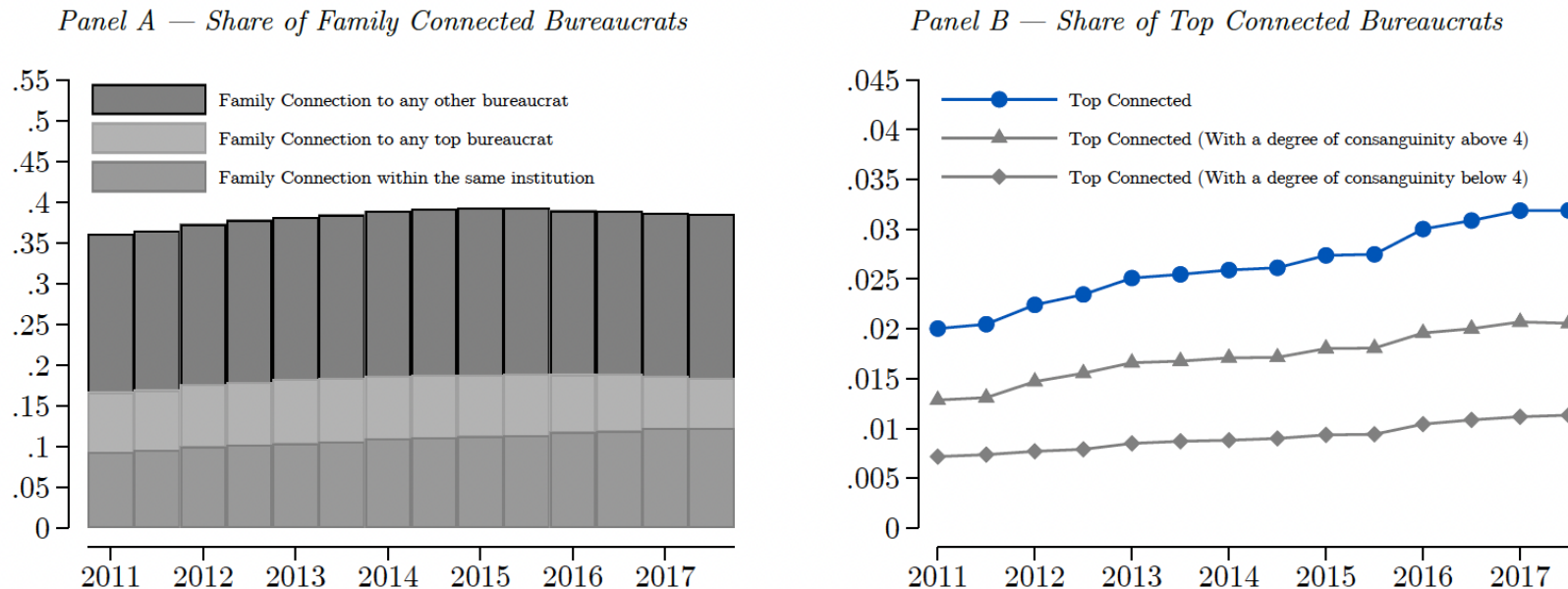
- **Inclusive economic institutions** emerged in the United States because political power was sufficiently broadly distributed (the terms of the patent law).
- But critical was the power of the state to enforce the laws, for example the Sherman Anti-Trust Act on the (then) richest person in the world.
- This two elements – a broad distribution of political power and a **strong state** combine to make **inclusive political institutions**.

What makes a state weak?

- Recent patronage in the Mexican state and the appointment of people who lack the necessary technical skills to do the job.
- Patronage in the Colombian state: la Mermelada.

38% of people working for the Colombian public sector have relatives there

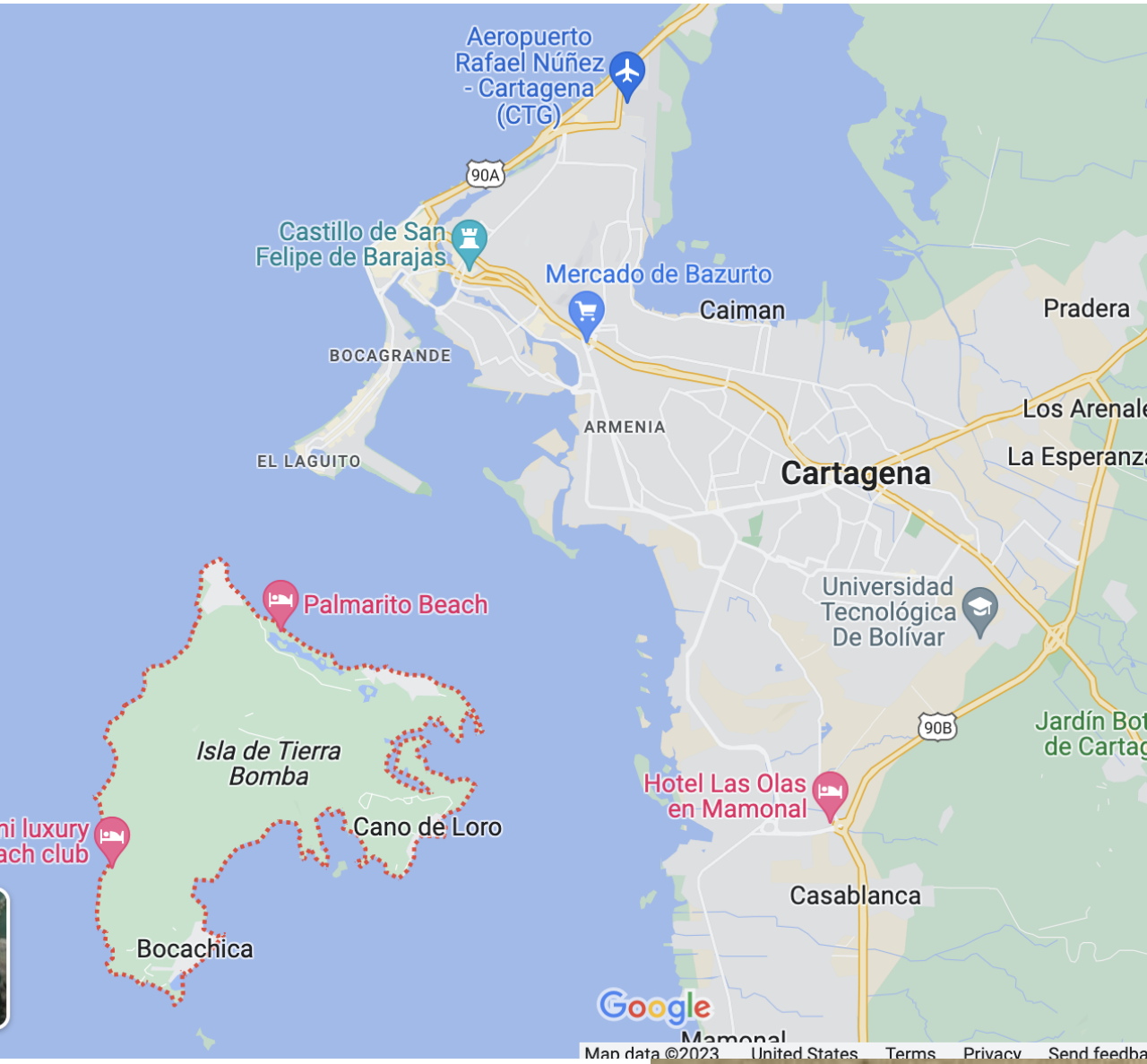
Figure 3: Shares of family connected bureaucrats within the public administration



Notes: Panel A presents the share of bureaucrats with family connections to any other bureaucrat, to a top bureaucrat (i.e., manager or advisor), and to any other bureaucrat within the same institution. Panel B presents the share of Top Connected bureaucrats, i.e., the share of bureaucrats with a family connection to a manager or advisor within the same agency they work in. It differentiates the share depending on whether the connections are above or below four degrees of consanguinity.

A connection to a top manager makes you 40% more likely to be promoted.

The other side of Extractive Political Institutions: The lack of representation and accountability in Colombia



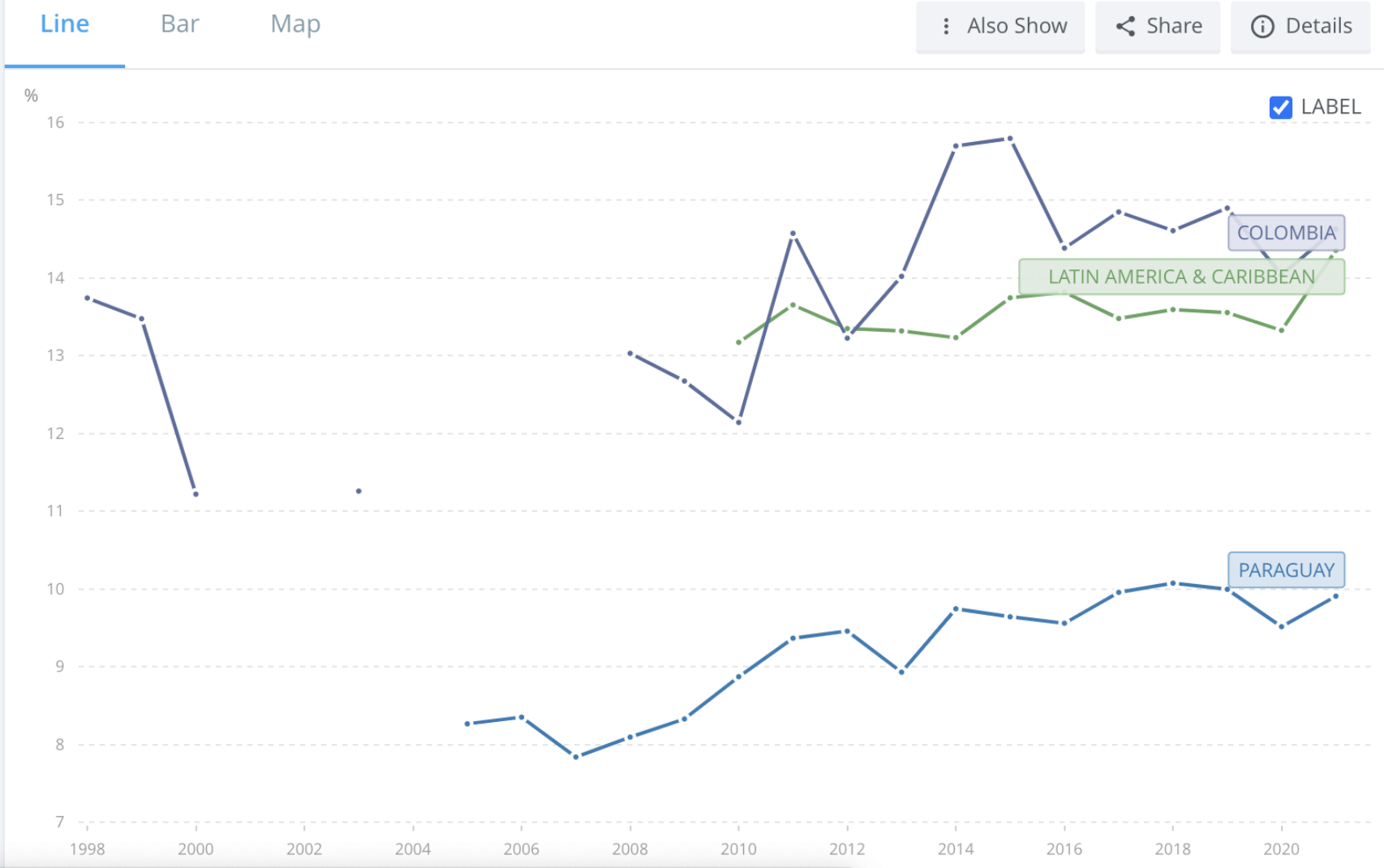
How does Paraguay do?

- Most indices suggest
 1. The Paraguayan state is very small.
 2. It is weak since it is not organized bureaucratically, but rather highly politicized.
 3. Politics is clientelistic and as such there are large problems of accountability.

Tax revenue (% of GDP) - Paraguay, Latin America & Caribbean, Colombia

International Monetary Fund, Government Finance Statistics Yearbook and data files, and World Bank and OECD GDP estimates.

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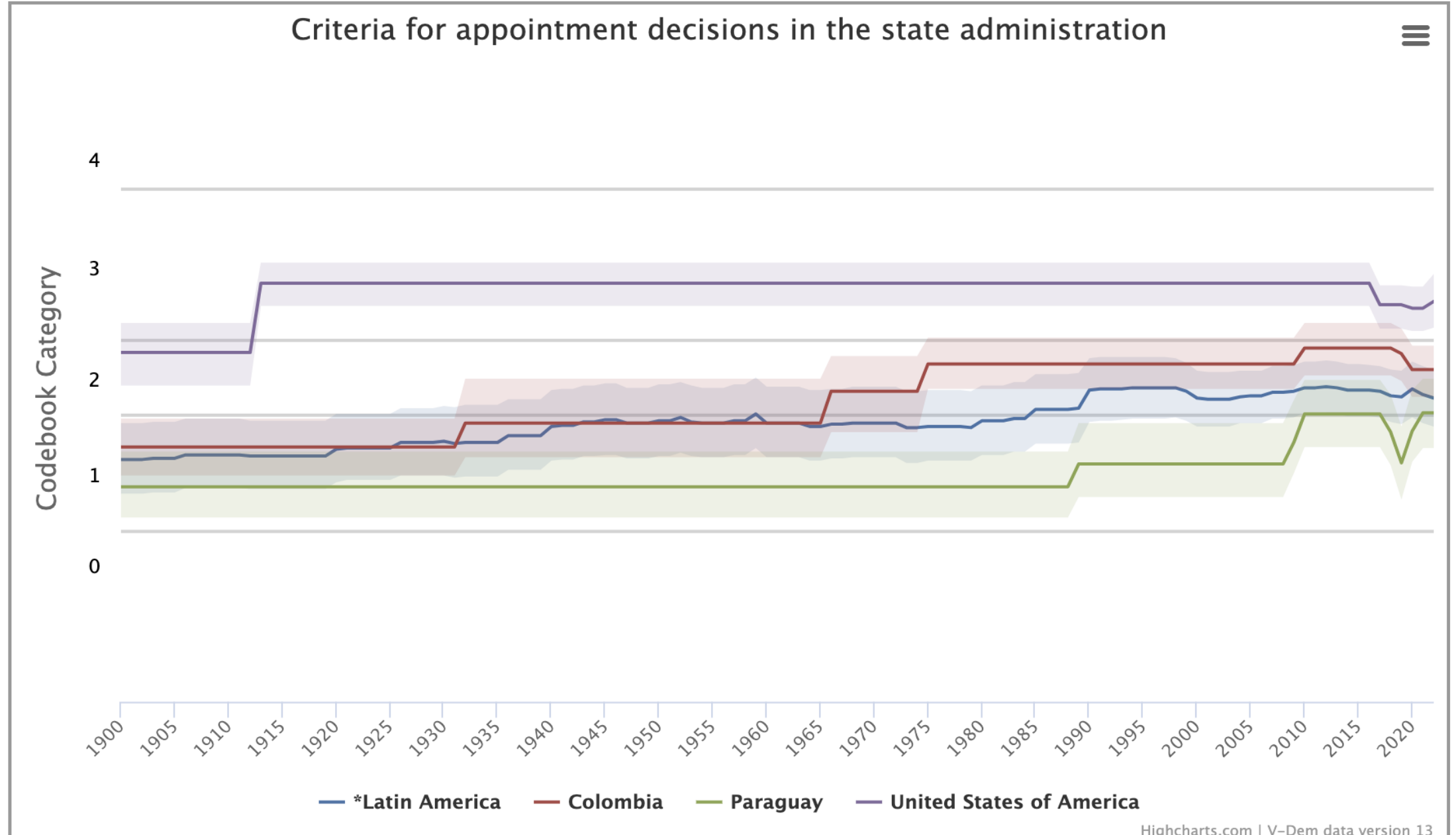


Paraguay has
a very small
state

Criteria for appointment decisions in the state administration – VDEM data

- To what extent are appointment decisions in the state administration based on personal and political connections, as opposed to skills and merit?
- Responses: 0: All appointment decisions in the state administration are based on personal or political connections. None are based on skills and merit.
- 1: Most appointment decisions....
- 2: Approximately half of the appointment decisions....
- 3: Only few of the appointment decisions....
- 4: None of the appointment decisions....

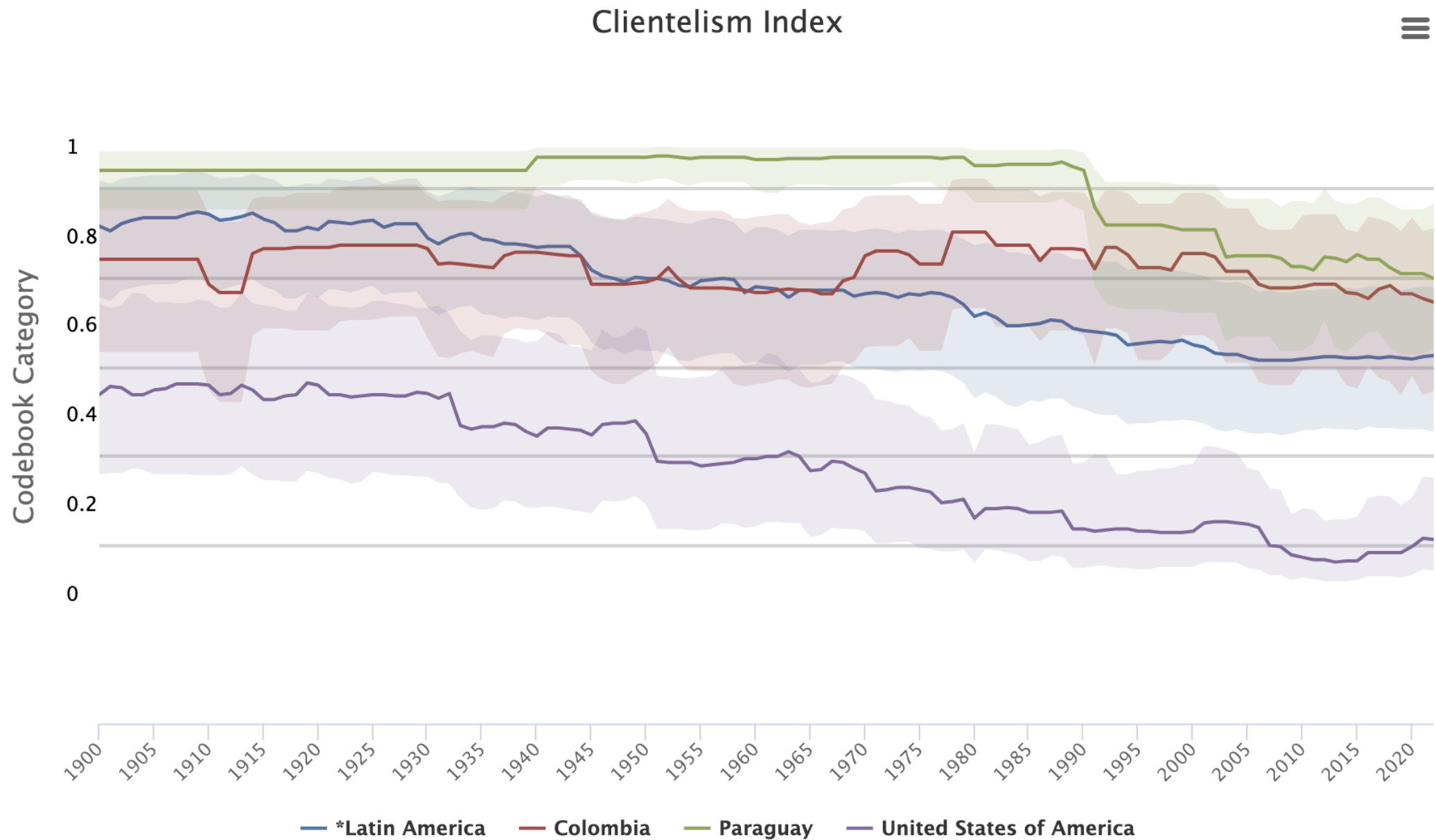
Slow progress to de-politicize and bureaucratize the state



Clientelism Index

- To what extent are politics based on clientelistic relationships?
- Clientelistic relationships include the targeted, contingent distribution of resources (goods, services, jobs, money, etc) in exchange for political support.
- That is, lower scores indicate a normatively better situation (e.g. more democratic) and higher scores a normatively worse situation (e.g., less democratic). Note that this directionality is opposite of that of other V-Dem indices, which generally run from normatively worse to better.

Slow progress to a politics of public goods, not patronage



The Challenge ahead – building Inclusive Institutions

- Paraguay has made progress and experienced significant falls in poverty and inequality.
- But what we know from elsewhere in the region is that this is not enough to create a political basis for a successful growth model in a modern democracy.
- Large inequities persist and will be exploited by new entrants into the political space.
- This should be a huge incentive to implement reforms to make political institutions more inclusive.
- That is the best antidote to populism and the way to preserve all the progress that Paraguay has made and to take it to the next level.