The essays below are excerpts from the Swedish-language volume *Varför är inte hela världen rik?*, published by Volante in Sweden. They have been translated into English.

Introduction: Why Isn't the Whole World Rich?

by Professor Jesper Roine

Over the past two hundred years, the global economy has grown enormously. This development has been accompanied by a spectacular improvement in the living conditions of humanity. On average, we live longer, are healthier, and have more opportunities than ever before in human history. However, a defining characteristic of this development is that these changes have not occurred everywhere. In economic terms, some places have become many times wealthier than before, while others have scarcely developed at all. Why is that? Why isn't the entire world rich? And if we can identify the reasons, is there something we can do to help more countries advance in a positive direction?

These questions are perhaps the most fundamental in economics. The very birth of the discipline is often associated with Adam Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations* from 1776, which seeks to explain the underlying causes of national economic development. Smith's then-radical idea was that the key to prosperity lies not in amassing money and resources—as the prevailing mercantilist view defined wealth—but rather in building a functional economy in which the opportunities for specialization and trade are essential to generating prosperity. Wealth is not something a country possesses, but something it can create. This, in turn, requires that individuals have incentives to work, invest, and devise better ways of doing things. It also necessitates a functioning and impartial legal system and a state capable of upholding contracts, property rights, and opportunities for all members of society.

Much of modern economic analysis, however, assumes the existence of a functioning state. If one accepts this premise, it becomes natural to point to certain factors as decisive in explaining differences in economic growth between countries. Factors such as capital accumulation, education, innovation, and entrepreneurship are all examples of elements that appear to be closely linked to economic growth. Modern economic growth theory is concerned with analyzing the variation in these factors, both theoretically and empirically. But as Douglass North, Nobel laureate in 1991, put it: these factors do not explain growth—they are growth.[1] The truly fundamental question is: why are some countries better at everything that contributes to economic development? Why are some nations more successful at investing in education, accumulating capital, and fostering innovation and entrepreneurship?

[1] The quotation, as it appears in Acemoglu, Johnson, and Robinson (2005), is taken from North and Thomas (1973, p. 2): "the factors we have listed (innovation, economies of scale, education, capital accumulation etc.) are not causes of growth; they *are* growth" (italics in original). Factor accumulation and innovation are only proximate causes of growth."

The theoretical and empirical research around these questions conducted by Daron Acemoglu, Simon Johnson, and James Robinson was awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel in 2024. Their concise answer to why not all countries succeed equally is summed up in one word: "institutions." In this context, institutions refer to the frameworks, rules, and legal systems within which all economic activity occurs. These frameworks are, in turn, largely provided by functioning states strong enough to enforce laws and regulations. When institutions are properly designed, they create incentives for all actors in society to make choices that benefit both themselves and the wider community. If, however, institutions are poorly structured and do not support economic development, other favorable conditions are rendered irrelevant. Individuals may either become discouraged because they cannot reap the rewards of their efforts, or they may devote all their time to seeking power—only to use it to oppress others and improve their own situation. Neither outcome is desirable from a societal perspective.

This may sound overly simplistic. There are, of course, many counterquestions one might raise—and such questions have long been posed within the social sciences. How can we be certain that it is institutions that are decisive, and not other factors such as cultural differences or geography? If institutions are indeed the key, why would a country choose not to establish good institutions? If effective institutions require a functioning and strong state, what prevents those in political power from turning that strength against the population?

Answering such questions has not only guided the impressive scholarly work of Acemoglu, Johnson, and Robinson; it also serves as the foundation for the three books brought together in this volume, now published for the first time in Swedish translation. Each of these works ultimately addresses what generates prosperity and how we can understand differences in wealth between societies—both historically and in the present. Prosperity, as a concept, encompasses far more than material affluence. It includes how society is organized, how wealth is distributed, and how these factors affect individuals' economic and political freedoms and opportunities.

The first book, *Why Nations Fail* by Daron Acemoglu and James A. Robinson, introduces the central role of institutions in explaining why some countries are wealthier than others. In addition to addressing the question of how we can know that institutions—rather than other possible fundamental factors such as geography or culture—are decisive, the authors also distinguish between two types of institutions: inclusive and extractive. The latter allow political elites to use their power to enrich themselves and their close allies, which explains why such institutions can persist despite being detrimental to society as a whole. Inclusive institutions, by contrast, create the conditions for innovation and investment across society. When political power cannot arbitrarily seize the outcomes of successful projects, positive economic incentives emerge—particularly when these opportunities are extended to all members of society. This, in turn, creates a fertile environment for economic development.

However, *Why Nations Fail* does not merely lay out these institutional alternatives as theoretical possibilities. It also provides a wide array of historical and contemporary examples showing how critical junctures—and sometimes historical chance—have led certain nations down paths that ultimately undermined economic development, while others managed to create conditions that supported it. Taken together, these examples offer rich explanations for why the whole world is not rich.

The second book, *The Narrow Corridor*, by the same two authors, focuses on "liberty." At first glance, this may appear to be a somewhat different theme from that addressed in *Why Nations Fail*, but the connections between the two are substantial. The book is partly concerned with understanding prosperity as something broader than just material wealth, and partly with the argument that long-term economic development is the result of free societies—not, as many historical theories have posited, the other way around. The title refers to the notion that for a society to become economically successful and free, it must strike a balance between a state strong enough to uphold the laws and regulations that form the basis for economic activity, and a state that is oppressive. In this conceptual framework, there exists a "narrow corridor" between the anarchy that arises in the absence of a functioning state and the potential tyranny of an overly strong or autocratic one. Political power must therefore entail both the mandate and the capacity to regulate the economy while simultaneously being prevented from using that power to oppress the population or to serve private interests. With reference to Thomas Hobbes—who in the seventeenth century formulated the idea that society requires a powerful state to maintain order—Acemoglu and Robinson adopt the term *Leviathan*, the mythical sea monster that Hobbes used to symbolize the state. But they emphasize that Leviathan must also be shackled, lest the state become a vehicle for oppression. As is the case in much of political theory, part of the solution lies in the division of power among different branches of government. Ultimately, however, the problem cannot be engineered away. The state and its representatives must be held accountable by a strong and active civil society, composed of engaged citizens. The balance between a strong yet "shackled" Leviathan and civil society is not a static institutional condition but rather a constantly evolving process in which successful societies manage to maintain their position within this narrow corridor.

The third book, *Power and Progress*, by Daron Acemoglu and Simon Johnson, concerns the role of technology in development—or, more precisely, how technological advancement interacts with institutions in ways that either lead to broad-based economic progress or result in lost opportunities or enrichment for only a select few. Through numerous historical examples, the authors demonstrate that while technology has undoubtedly been a crucial engine of wealth creation, it is not sufficient on its own. Often, technological advances have benefited only certain groups, and at times, those who perceived themselves as threatened by new technologies have successfully resisted their adoption. The key to ensuring that technological progress is embraced and shared by the majority, according to the authors, lies in inclusive institutions. This argument ties back directly to the institutional themes of *Why Nations Fail* and *The Narrow Corridor*. In a manner that is uncommon in economic analysis, Acemoglu and Johnson also emphasize that both the direction and the use of technology are outcomes of choices and decisions—choices made by individuals and groups who wield influence over technological processes.

A recurring message throughout the three books is the rejection of the idea that economic development—or its absence—is something predetermined. The implications of this insight are, in large part, optimistic. The research by Acemoglu, Johnson, and Robinson shows that no country is condemned to poverty by geographic misfortune or due to having the "wrong" culture. Economic success is not something a nation simply possesses; it is something that must be continuously created through sound societal organization. At the same time, their work reminds us that no country can take its prosperity for granted. History is filled with examples of nations that became wealthy because they succeeded in building what the authors and Nobel laureates term “inclusive institutions,” in which the majority of the population sees opportunities to improve their conditions. There are also, however, examples of countries where a narrow elite has pursued control over societal resources in ways that benefit only themselves, ultimately leading to a decline in national prosperity.

Similarly, our capacity for innovation and problem-solving has, in many cases, resulted in radically improved living conditions for large segments of the population. But this too is not an automatic consequence of technological advancement. History abounds with critical junctures where those who stood to lose from new technologies were able to halt their spread, with long-term consequences that undermined the public good. In other instances, new technologies have simply shifted potential gains from one group to another. For technology to genuinely improve society, we must—returning to the authors’ terminology—remain within the narrow corridor.

In the end, it is our own responsibility to ensure that we create the institutional foundations for a functioning economy. Over the long run, few things are as vital to our shared prosperity.

Bridge from *Why Nations Fail* to *The Narrow Corridor*

by Professor Jesper Roine

The main theme of *The Narrow Corridor* is liberty. This theme complements, in several important respects, the one developed in *Why Nations Fail*. To begin with, liberty has intrinsic value—it is an essential component of human well-being. But liberty is also a precondition for long-term, successful economic development. Within the social sciences, there has long been (and to some extent still remains) a debate over whether economic development eventually leads to democracy and freedom, or whether the reverse is true—that liberty and inclusive political institutions are prerequisites for sustained economic growth. In *The Narrow Corridor*, Daron Acemoglu and James A. Robinson elaborate on the latter position: inclusive political institutions are necessary for economic development.

Inclusive economic institutions provide the public with broad opportunities and incentives to invest, innovate, and engage in productivity-enhancing activities. However, these economic institutions can only be sustained over the long term if they are supported by "inclusive political institutions"—institutions that prevent a small group in society from monopolizing political power, while at the same time granting the state sufficient authority to enforce laws. How can such a balance be achieved? How can a state be strong enough to uphold the rule of law, resolve conflicts, provide public services, and support the economic institutions that promote opportunity and incentives—yet not so strong that it uses its power to enrich itself or oppress its citizens?

In *The Narrow Corridor*, Acemoglu and Robinson emphasize society's capacity to resist, constrain, and hold the state and political elite accountable. The authors introduce two key concepts that together form the intellectual foundation for the dynamic process required to keep society within the "narrow corridor" that underpins a well-functioning economy. The first concept is the "shackled Leviathan"—a development of Thomas Hobbes' classic solution to the problem of avoiding anarchy and the constant fear of violence, which, according to Hobbes, arises in the absence of a sufficiently strong state to maintain order. While Hobbes invoked the mythical sea monster Leviathan as a metaphor for the strong state, Acemoglu and Robinson stress that this Leviathan must be restrained—prevented from abusing its power for personal gain. The second concept they introduce is the key to understanding how such restraint might be maintained: the "Red Queen effect." This reference to *Through the Looking-Glass* by Lewis Carroll has been employed in many contexts to describe a situation in which two competing parties must constantly act or remain vigilant simply to avoid falling behind. In the story, Alice runs as fast as she can but remains in the same place. When she expresses surprise, the Red Queen explains, "Here, you see, it takes all the running you can do to keep in the same place." The relationship between state and society is similarly dynamic: both must be continuously active to prevent the other from gaining the upper hand. Social norms play a central role in this process. Norms and shared beliefs help society organize itself, mobilize political engagement, and, when necessary, challenge the state and elite authority. But it is equally important that the state can defend individual freedom from oppressive norms—a threat the authors refer to as "the cage of norms." A society is not only at risk of succumbing to state repression; it may also face stagnation if the state fails to uphold inclusive rules, allowing restrictive social norms to dominate and constrain individual liberty. Both the state and society must run as fast as they can to stay within the narrow corridor.

As in *Why Nations Fail*, the authors draw upon an impressive range of historical examples to illustrate the complex processes that have led to the wide variation we see across societies today. Why have some countries entered and remained in the narrow corridor, while others have approached but failed to enter it—and still others never seem to come close? What lessons can we learn from these varied trajectories in order to build a better world?

Beyond the concept of liberty, *The Narrow Corridor* addresses all of these issues.

Bridge from *The Narrow Corridor* to *Power and Progress*
by Professor Jesper Roine

Many of the most common explanatory models of human development place technology and technological progress at the center. Humans learned to harness fire, invented the wheel, discovered agriculture, domesticated animals, developed plows, and invented printing. The steam engine and mechanized weaving triggered the Industrial Revolution, and so on. It is easy to see how the notion that technological advancement is the true driver of economic development has gained such prominence.

This idea also has firm grounding in economic models. Virtually all so-called growth models share the insight that long-term economic development can only be sustained by increasing productivity—that is, our ability to produce more given a fixed amount of inputs. This productive capacity is often referred to as "technology." Consequently, the focus of nearly all modern economic growth models has been to understand what drives technological progress.[2] The key to greater prosperity, it has been thought, lies in figuring out how to accelerate technological advancement to its maximum potential, thereby yielding increased wealth.

While it is undoubtedly true that discoveries and inventions have been central to economic development, there are several important assumptions that warrant scrutiny. For instance, what ensures that increases in average productivity actually benefit everyone? If automation results in certain types of labor being replaced by machines or algorithms, how does that automatically benefit the individual who loses their job? And is there truly only one path that technology can follow? If not, what determines the direction of technological development? These are the questions explored by Daron Acemoglu and Simon Johnson in *Power and Progress*.

Drawing upon their deep understanding of the mechanisms and assumptions underlying the optimistic belief that technological progress automatically benefits all, Acemoglu and Johnson identify the conditions under which such outcomes cannot be expected to occur. They also draw on their equally profound knowledge of technological history to illustrate episodes in which technology undoubtedly raised productivity but failed to improve outcomes for the majority. As in the analyses presented in *Why Nations Fail* and *The Narrow Corridor*, political and economic institutions play a decisive role. The

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[2] The insight that only *technological* improvements can generate long-term growth is linked to the so-called Solow model (Solow, 1956). The problem with Solow's model was that the factor driving development—technological progress—was treated as exogenously given. The challenge for more modern models, therefore, has become: how can we incorporate an explicit process by which technology improves over time? So-called "endogenous growth theory" has focused on understanding the mechanisms that generate technological advancement within the framework of the model itself. These models can, in turn, be divided into those that emphasize how new technologies are developed to replace and outcompete older ones (i.e., "creative destruction" models), and those that instead highlight the exponential power of our continued discovery of new methods for accomplishing tasks—methods that, in principle, can be utilized by everyone. Acemoglu (2009) provides a comprehensive overview of all these models and their respective mechanisms.

economy and its rules of the game are shaped by incentives and constraints, which are themselves shaped by laws and regulations, and those, in turn, by political processes. If these processes are controlled by a narrow elite, it is quite conceivable that they will suppress technologies that would benefit the majority if such technologies are perceived as threats to the elite's position. Conversely, it is also possible that a powerful minority may push for regulations and changes that promote technologies in which they have invested—regardless of whether those technologies benefit society as a whole.

Understanding these processes is critical not only for a more nuanced view of our economic history but also for comprehending current debates about technological development, automation, and artificial intelligence. Too often, the discourse becomes polarized between unconditional advocacy and categorical resistance to technology. In *Power and Progress*, Acemoglu and Johnson provide the analytical tools for a more productive conversation. Technological advancement is without question a key to economic development and, consequently, increased welfare. But its direction is not predetermined, and the distribution of its gains is not automatic. Technological progress is a necessary condition for prosperity—but it is not a sufficient one. We must be capable of understanding and, when necessary, challenging the processes that shape technological development and its economic consequences—not to halt technological progress, but to ensure that it benefits the many rather than the few.

Conclusion
by Professor Jesper Roine

Why isn't the whole world rich? It is difficult to imagine a question of greater relevance for large parts of the global population. Over the past two hundred years, the world has, on average, become vastly wealthier. This development has been accompanied by a spectacular improvement in people's living conditions. On average, we live longer, are healthier, and have greater opportunities than ever before in human history. But this positive average trend conceals significant disparities—both over time and across countries. The average also obscures the fact that previously successful nations have sometimes fallen behind others or even regressed. Why is this the case, and what can be done to ensure that our societies develop in ways that benefit the majority?

These are the central questions addressed by this volume and the three works on which it is based. There are also recurring themes in the answers. Most evidently, the central role of economic and political institutions is consistently emphasized. A functioning economy does not exist in a vacuum; rather, it is fundamentally dependent on a range of institutional structures—laws, courts, taxation, regulation, and so on. Decisions concerning these structures are made by those with political power, and who holds such power is determined by political institutions.

Understanding the interaction between economic and political institutions is therefore essential to understanding both economic development and the absence thereof.

Under the right conditions, political institutions can establish a framework in which the state possesses the capacity to enforce contracts, ensure compliance with rules, suppress resistance to new technologies from those who perceive themselves as losing out, and, in some cases, even actively support innovation. These are the conditions under which a market economy can function effectively in practice.

Under the wrong conditions, however, political institutions can instead create a situation in which the state becomes a tool for advancing the interests of specific groups—or, in the worst-case scenario, a tool for oppressing the population. In such cases, development that might have improved the circumstances of the many is stymied because politically powerful special interests stand to lose. Economic incentives are no longer aligned toward fair competition in open markets but toward securing political advantage. Over time, this results in diminished societal development—even if certain individuals still manage to become wealthy within such a system.

The three Nobel laureates' books provide, through an impressively wide historical lens, examples of how local circumstances and prevailing conditions continually cast a long shadow over the present in which decisions are made. Where we are now depends on where we were, and on "here." In this sense, the books offer no simplistic recipe for building a successful and inclusive economy. Rather, they show how institutional inertia can make progress harder for some countries than others and highlight the importance of understanding local context. Yet their message is clear: change is possible. The fact that history matters is not the same as history being destiny.

From the books, one can also distill several themes that are essential to nearly all efforts to understand and reshape our societies. Three overarching conclusions stand out. First, economic development is a means to the end of enabling the majority of people to live better lives. Precisely what this entails is, of course, difficult to define and highly individual—which makes personal freedom, the central theme of *The Narrow Corridor*, a crucial prerequisite. But one does not need a precise definition of a "better life" to draw significant conclusions from this point. Economic growth that benefits only a small elite can be questioned—not out of opposition to growth itself, but because one questions the value of growth that is concentrated in so few hands. If one believes that such "narrow growth" will eventually benefit all, that claim should be actively supported and empirically demonstrated. Similarly, one can and should critique growth that comes at the cost of environmental degradation. There is a difference between recognizing trade-offs and uncritically asserting that a focus on economic growth will solve all problems.

The second recurring theme is that the role of the state is not primarily determined by whether it is "big" or "small." As emphasized particularly in *The Narrow Corridor*, what matters is the balance: a state strong enough to uphold the conditions necessary for a functioning market economy and to protect individual rights, yet sufficiently constrained to prevent overreach, self-enrichment, or repression. In many discussions, one gets the impression that reducing the state's influence is always good for the "free market," while counterarguments often lean on the notion that state intervention is always the remedy for identified problems. What the authors of *The Narrow Corridor* argue is that balance is what truly matters—and the ongoing struggle to maintain that balance is itself a perpetual process.

Third, and perhaps most importantly, the three books collectively argue that there is no inevitability to either development or stagnation. In *Why Nations Fail*, we are reminded that there are countries that were once prosperous and fell behind, countries that once lagged but caught up or surpassed others, and countries that appear to be stuck while others have advanced. None of these trajectories are automatic—they are the outcomes of decisions made over time. That does not mean that success is merely a matter of design, free of historical constraint. History and local circumstances have powerful and lasting effects, but no society is fated to succeed or fail.

In *The Narrow Corridor*, the authors show that a functioning, development-fostering state does not arise automatically, nor can it be taken for granted once established. Naturally, historical legacies matter here as well—a country with a long democratic tradition is likely to be more resilient than one without—but no political system is permanently secure. The absence of inevitability is even more clearly emphasized in *Power and Progress*. Perhaps this is because it is in the domain of technological development that assumptions of automatic progress are most widespread. The book provides numerous historical examples of how development can be halted by those who felt threatened, accelerated by those who see opportunities, or shaped in ways that benefit some groups at the expense of others. Whether technological development ultimately serves broad societal interests depends once again on the institutions that govern its course. This is not to suggest that technological progress can or should be centrally planned. Rather, it is a call for vigilance—to ensure that power relations do not subvert competition and collective improvement.

All of these themes steer the debate away from destructive polarization—between “economic growth at any cost” and “degrowth,” between big government and small government, between techno-optimism and nostalgic regressivism. Economic growth is clearly beneficial—provided it is inclusive and sustainable. A strong state is clearly beneficial—provided it is inclusive, respects individual freedoms, and can be held accountable. Technological development is also clearly beneficial—it is, by definition, the creation of more value from given inputs—but it does not inevitably take a socially beneficial form.

In all these domains, it is up to us as a society to find the balance. This requires both insight and engagement. Few individuals have contributed as much to our insights and our understanding of development as Daron Acemoglu, Simon Johnson, and James Robinson. As for engagement—that is the responsibility of all of us, in pursuit of a better future.