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WHY WERE DARON ACEMOGLU, SIMON JOHNSON, AND JAMES ROBINSON JOINTLY AWARDED THE 2024 NOBEL PRIZE?

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Daron Acemoglu, Simon Johnson, and James Robinson were awarded the 2024 Nobel Prize in Economic Sciences for their groundbreaking research on the formation and impact of institutions on prosperity. Their work offers critical insights into the persistent and widening economic disparities between nations, emphasizing the role of inclusive institutions in fostering sustainable economic growth and reducing inequality. The laureates demonstrated that extractive institutions, designed to benefit a narrow elite at the expense of the broader population, hinder long-term development, while inclusive institutions, which protect individual rights and allow for broad participation, contribute to enduring prosperity. Through their innovative theoretical frameworks and empirical analysis, they have advanced the understanding of how historical legacies, political power struggles, and institutional dynamics shape economic outcomes. Their research has not only enriched the field of development economics but also provided valuable analytical tools for uncovering the fundamental causes of economic inequality and political institutional changes.

Daron Acemoglu, Simon Johnson, and James Robinson were jointly awarded the 2024 Nobel Prize in Economic Sciences “for studies of how institutions are formed and affect prosperity”. The laureates have shared their academic expertise with broader audiences through their books “Why Nations Fail”, “The Narrow Corridor” and “Power and Progress”. They have done groundbreaking research on the role of institutions

in shaping economic prosperity. The laureates have provided new insights into why there are such vast differences in prosperity between nations¹. Today, the richest 20 percent of countries are now around 30 times wealthier than the poorest 20 percent of countries. Moreover, the income gap between the richest and poorest countries have been highly persistent over the past 75 years. The available data also show that between-country disparities in income have grown over the past 200 years. Although the poorest countries have become richer, they are not catching up with the most prosperous.

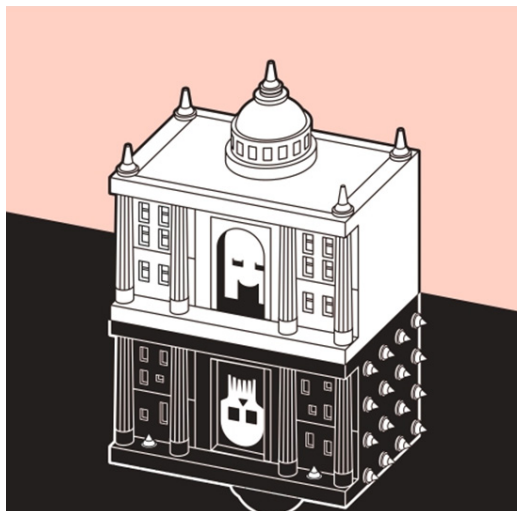
One important explanation is persistent differences in societal institutions. The laureates developed an influential framework for analyzing institutional dynamics, creating theoretical models that inspired entire fields of modern economic research. Their work highlights how inclusive institutions ‘those that allow broad participation and protect individual rights’ are critical for achieving sustainable economic growth and reducing inequality. The researchers also explored the importance of democracy in fostering shared prosperity and resilience within societies. These findings have significantly influenced policymaking and the broader understanding of development economics.

In the book “Why Nations Fail”, Acemoglu and Robinson use the city of Nogales, on the border between the USA and Mexico, as an example. The city of Nogales is divided by a fence. To the north lies Nogales, Arizona, USA, where residents generally enjoy a higher standard of living. They have longer life expectancies, most children graduate from high school, and property rights are well-protected, ensuring that individuals benefit from their investments. Democratic elections allow citizens to hold politicians accountable and replace them if necessary.

On the other side of the fence, in Nogales, Sonora, Mexico, the situation is markedly different. Although this region is relatively prosperous compared to other parts of Mexico, its residents are significantly poorer than their northern neighbors. Organized crime poses risks to businesses, and while democracy has made progress over the past two decades, corrupt politicians remain challenging to remove².

The stark contrast between these two sides of the same city cannot be explained by geography or culture but rather by institutions. On the north side, people benefit from the USA’s economic and political systems, which provide greater educational and professional opportunities, as well as broad political rights. South of the fence, residents face different economic challenges and a political system that restricts their ability to influence governance. This example of Nogales reflects a broader global pattern rooted in historical institutional differences, as demonstrated by this year’s laureates³.

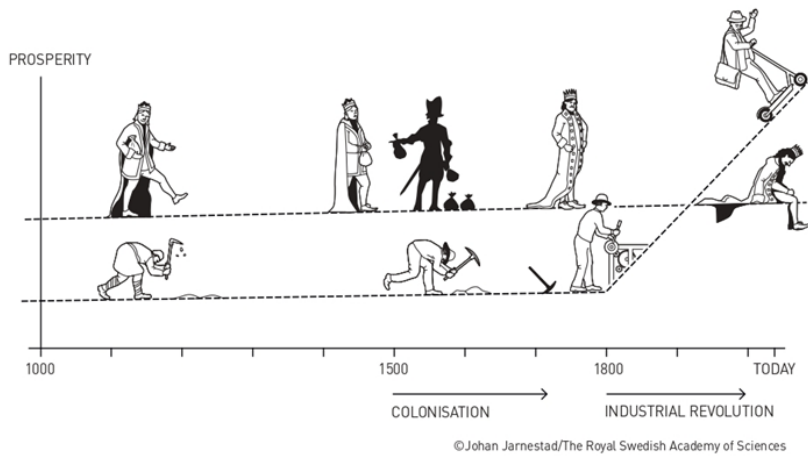
The laureates have also developed an innovative theoretical framework that explains why some societies become stuck in a trap with what the economists call extractive



¹ Source: Popular science background: They provided an explanation for why some countries are rich and others poor, Press Release, The Nobel Prize, <https://www.nobelprize.org/uploads/2024/10/popular-economicsciencesprize2024.pdf>

² Source: D. Acemoglu, J.A. Robinson, Why Nations Fail: The Origins of Power, Prosperity and Poverty, pages 18-20, https://edisciplinas.usp.br/pluginfile.php/3954893/mod_resource/content/0/Why-Nations-Fail-Daron-Acemoglu.pdf

³ Source: Scientific Background to the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2024, The Committee for the Prize in Economic Sciences in Memory of Alfred Nobel, <https://www.nobelprize.org/uploads/2024/10/advanced-economicsciencesprize2024.pdf>



institutions, and why escaping from this trap is so difficult. However, they also show that change is possible and that new institutions can be formed. In some circumstances, a country can break free of its inherited institutions to establish democracy and the rule of law. In the long run, these changes also lead to reduced poverty.

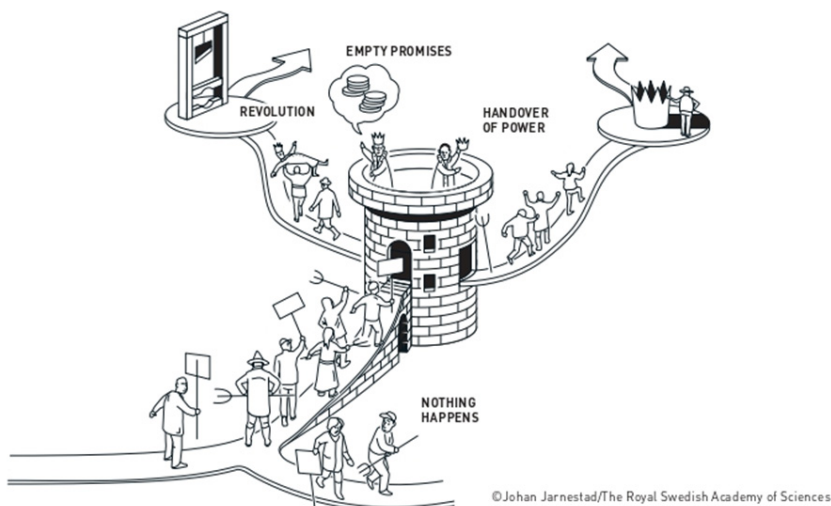
The laureates also affirm that when Europeans colonized large parts of the world, the institutions established in these territories varied significantly depending on local conditions. In densely populated areas, colonizers focused on exploiting the indigenous population and extracting resources, leading to the development of extractive institutions with limited political and economic rights. Conversely, in sparsely populated areas, more Europeans settled, prompting the creation of inclusive institutions to incentivize settlers and meet their demands for greater political rights. Although these settler colonies were far from democratic by modern standards, they generally provided broader political and economic rights compared to colonies with large indigenous populations.

According to Acemoglu and Robinson's theory on the colonial origins of institutions, an intriguing prediction emerges a "reversal of fortune". In areas that were wealthy and densely populated before colonization, Europeans tended to establish extractive economic institutions, leading to a decline in relative prosperity over time. Conversely, in poorer

and less populated regions where Europeans could easily settle, they were incentivized to create inclusive economic institutions, which ultimately promoted long-term prosperity for the majority.

Acemoglu, Johnson, and Robinson emphasized that the initial conditions in European colonies varied not only in terms of population density and urbanization but also in the disease environments, particularly those affecting settlers. They proposed that Europeans were more likely to settle in areas where mortality rates were relatively low. In such regions, they introduced both economic and political institutions that reflected their own values and interests. However, in areas where mortality rates were high due to diseases like malaria and yellow fever, European settlers were fewer, and the colonizers focused on creating extractive institutions aimed at rapidly exploiting local resources. The authors argue that many features of these colonial institutions endured after independence, continuing to shape present-day economic outcomes. The researchers affirmed that European settlers primarily introduced institutions that promoted widespread access to education, which in turn contributed to long-term development.

Acemoglu and Robinson's research revolved around the idea that the wealth of nations is fundamentally shaped by political institutions. The laureates' demonstrate that institutions designed to exploit the masses



hinder long-term growth, while those promoting economic freedoms and the rule of law foster it; however, the persistence of extractive systems, despite their short-term benefits for ruling elites, raises the question of why these elites resist transitioning to more inclusive systems that would benefit society as a whole.

The laureates' explanation centers on conflicts over political power and the challenge of trust between the ruling elite and the broader population. When the political system primarily benefits the elites, the population has little reason to trust promises of economic reform. Establishing a new political system — one that enables free elections and the replacement of untrustworthy leaders — would create the foundation for economic reform. However, the elite fear losing their economic advantages and doubt they will be adequately compensated under the new system. This is known as the commitment problem: a lack of credible assurances, which traps societies in a cycle of extractive institutions, widespread poverty, and a wealthy elite.

Despite this, the laureates also demonstrate that the inability to make credible promises can explain why democratic transitions sometimes occur. Even in non-democratic nations, where the population lacks formal political power, the masses have a significant tool that the elite fear — their sheer numbers. By mobilizing, they can pose a revolutionary threat. While this threat

could involve violence, peaceful mobilization often proves even more powerful, as it encourages broader participation in protests.

When such a threat becomes acute, the elite face a dilemma. They might attempt to placate the population with promises of reform, but such promises are not credible, as the elite could easily revert to the old system once the unrest subsides. In these situations, the elite may have no choice but to relinquish power and pave the way for democracy.

The laureates' model for understanding the formation and evolution of political institutions incorporates three key elements. First, there is a conflict over resource allocation and decision-making authority: whether it resides with the elite or the masses. Second, the masses can occasionally exercise power by mobilizing and pressuring the elite, illustrating that power extends beyond formal authority. Third, the commitment problem often leaves the elite with no alternative but to transfer decision-making power to the population.

The model has been applied to explain the process of democratization in Western Europe during the late 19th and early 20th centuries. In Great Britain, for instance, the expansion of suffrage occurred in several phases, each following large-scale strikes and protests. The British elite, unable to credibly address these revolutionary threats with promises of social reform, were often compelled — albeit reluctantly — to share

power. A similar scenario unfolded in Sweden, where the decision to grant universal suffrage in December 1918 came in the aftermath of significant unrest inspired by the Russian Revolution.

The model also helps explain why some nations oscillate between democratic and authoritarian regimes. Additionally, it sheds light on why countries lacking inclusive institutions struggle to achieve the same levels of growth as those with such institutions. It also illustrates how ruling elites may sometimes benefit from obstructing the adoption of new technologies to preserve their power and economic advantages.

Acemoglu and Robinson provided a key insight into political transitions to democracy, arguing that such transitions occur as an alternative to redistribution under existing autocratic institutions due to the commitment problem. In autocracies, current redistributive measures cannot guarantee that future redistribution will continue, as there is no credible commitment mechanism. However, extending the electoral franchise changes the future political balance, effectively serving as a commitment to sustained redistribution.

Their model formalized the strategic decisions of political elites in response to social unrest and the threat of revolution, offering an explanation for the varying sequences of institutional reforms and welfare programs across countries. Elites can address revolutionary threats in two main ways. First, they may expand the electoral franchise, transferring political power to the masses, as seen in many Northern European, Latin American, and later Asian countries. Democracies, once established, tend to persist due to investments made in democratic institutions — such as the formation of political parties, unions, and organizations — which incentivize citizens to defend democracy. Additionally, democracies allow the masses greater control over the military than under authoritarian regimes.

Second, the elites may choose to retain non-democratic institutions but address revolutionary threats through redistribution via taxation, avoiding franchise extension.

For example, in Germany during the 1880s, a basic welfare state was created without expanding the electoral franchise. In societies where the poor are well-organized and consistently pose a revolutionary threat, redistribution without extending political rights can become a credible and effective strategy.

Acemoglu and Robinson explored the concept of the political replacement effect, which suggests that innovations and technological advancements can weaken the existing advantages held by ruling elites. Fearing that such changes could jeopardize their position and lead to their replacement, elites may resist initiating or supporting these transformations. Acemoglu and Robinson showed that this fear can make it rational for elites to actively block beneficial economic or institutional progress. In essence, they may obstruct the adoption of new technologies to safeguard their control over economic and political power.

Acemoglu and Robinson's theory, when the policy variable is interpreted more broadly, suggests that inclusive political institutions lead to the development of better economic institutions, ultimately resulting in higher national income. What about the relationship between democracy and growth? Whether democracy causes growth, we must be able to control for the observed and 37 unobserved determinants of both. And modernization theory, for example, suggests the opposite causal relationship, i.e., that prosperity leads to democracy. The impact of democratization is not immediate. Rather it takes some time — around 20 years — before the full impact is realized. Overall, the authors showed that long-run GDP per capita increases by 20 to 25 percent following democratization.

Acemoglu and Robinson also refer to the narrow corridor to liberty and affirm that it is that for liberty to emerge and flourish, both state and society must be strong. A strong state is needed to control violence, enforce laws, and provide public services that are critical for a life in which people are empowered to make and pursue

their choices. A strong, mobilized society is needed to control and shackle the strong state. Squeezed between the fear and repression wrought by despotic states and the violence and lawlessness that emerge in their absence is a narrow corridor to liberty. It is in this corridor that the state and society balance each other out. This balance is not about a revolutionary moment. It's a constant, day-in, day-out struggle between the two. This struggle brings benefits. In the corridor the state and society do not just compete, they also cooperate. This cooperation engenders greater capacity for the state to deliver the things that society wants and foments greater societal mobilization to monitor this capacity.

What makes this a corridor, not a door, is achieving liberty is a process; you have to travel a long way in the corridor before

violence is brought under control, laws are written and enforced, and the state starts providing services to its citizens. It is a process because the state and its elites must learn to live with the shackles society puts on them and different segments of society have to learn to work together despite their differences. What makes this corridor narrow is that this is no easy feat .

To sum up, Acemoglu, Johnson, and Robinson have not only shaped our understanding of the root causes behind why countries fail, but they have also pioneered new methodologies for studying these issues. Their emphasis on using natural experiments and historical data has initiated a new research tradition that continues to help uncover the historical drivers of prosperity, or lack thereof.

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ԱՆԻ ԽԱՉԱՏՐՅԱՆ

«Ամբերդ» հեղափոխական կենտրոնի ավագ հեղափոխող, ՀՊՏՀ, Կոնստանդնուպոլսյան թեկնածու

ԻՍԿ ԴՈՒՔ ԳԻՏԵՔ, ՈՐ...

ԻՆՉՈՒՆ ԴԱՐՈՆ ԱԾԵՄՕՂՈՒՆ, ՍԱՅՄՈՆ ԶՈՆՍՈՆԸ ԵՎ ԶԵՅՄ ՌՈԲԻՆՍՈՆԸ
ԱՐԺԱՆԱՑԱՆ 2024 ԹՎԱԿԱՆԻ ՆՈԲԵԼՅԱՆ ՄՐՑԱՆԱԿԻՆ

Դարոն Աճեմօղլուն, Սայմոն Զոնսոնը և Զեյմա Ռոբինսոնը 2024 թվականին արժանացել են տնտեսագիտության բնագավառի Նոբելյան մրցանակի՝ ինստիտուտների ձևավորման և տնտեսական բարեկեցության վրա դրանց ունեցած ազդեցության վերաբերյալ իրենց նորարարական ու հիմնարար հետազոտությունների համար: Նրանց գիտական աշխատանքներն էական պատկերացում են տալիս այն պատճառների մասին, որոնք պայմանավորում են պետությունների միջև տնտեսական անհավասարության մեծ տարբերությունները՝ ընդգծելով ներառական ինստիտուտների դերը կայուն տնտեսական աճի և սոցիալական անհավասարության կրճատման գործում: Տնտեսագետները ցույց են տվել, որ ոչ ներառական ինստիտուտները, որոնք կենտրոնացած են իշխող վերնախավի շահերի սպասարկման վրա՝ լայն հասարակության հաշվին, խոչընդոտում են երկարաժամկետ զարգացումը, մինչդեռ ներառական ինստիտուտները, որոնք ապահովում են իրավունքների պաշտպանություն և լայն մասնակցություն, նպաստում են կայուն զարգացմանը: Նրանց հետազոտությունները բացահայտում են, թե ինչպես են գաղութատիրական ժառանգությունը, քաղաքական իշխանության բաշխման առանձնահատկությունները և պետության ու հասարակության փոխհարաբերությունները պայմանավորում ինստիտուցիոնալ փոփոխությունները: Նրանք անդրադարձել են նաև ժողովրդավարացման գործընթացներին՝ ցույց տալով, որ ժողովրդավարական անցումները, չնայած առկա մարտահրավերներին, կարող են դառնալ տնտեսական բարեփոխումների և զարգացման ուղի: Աճեմօղլուի, Զոնսոնի և Ռոբինսոնի նորարարական տեսական մոդելներն ու վերլուծական մոտեցումները ոչ միայն հարստացրել են զարգացման տնտեսագիտությունը, այլև արժեքավոր վերլուծական գործիքներ են ապահովել տնտեսական անհավասարության և քաղաքական ինստիտուցիոնալ փոփոխությունների հիմնարար պատճառների բացահայտման համար:

Հիմնաբաներ.

Դարոն Աճեմօղլու, Նոբելյան մրցանակ, ներառական ինստիտուտներ, նեղ միջանցք

ԱՆԻ ԽԱՉԱՏՐՅԱՆ

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A BY ZHAETE, CTO...?

ПОЧЕМУ ДАРОН АДЖЕМОГЛУ, САЙМОН ДЖОНСОН И ДЖЕЙМС РОБИНСОН БЫЛИ
УДОСТОЕНЫ НОБЕЛЕВСКОЙ ПРЕМИИ 2024 ГОДА?

Дарон Аджемоглу, Саймон Джонсон и Джеймс Робинсон были удостоены Нобелевской премии по экономике 2024 года за их новаторские исследования, посвященные формированию институтов и их влиянию на процветание. Их работа предоставляет важные научные понимания относительно устойчивых и усиливающихся экономических различий между странами, подчеркивая значимость инклюзивных институтов для достижения устойчивого экономического роста и снижения неравенства. Лауреаты показали, что экстрактивные институты, ориентированные на пользу узкой элиты за счет широких слоев населения, препятствуют долгосрочному развитию, в то время как инклюзивные институты, которые защищают индивидуальные права и обеспечивают широкое участие, способствуют долговременному процветанию. Благодаря инновационным теоретическим моделям и эмпирическому анализу, они существенно расширили понимание того, как историческое наследие, политическая борьба за власть и институциональная динамика формируют экономические результаты. Их исследования не только обогатили теорию экономики развития, но и предоставили ценные аналитические инструменты для выявления основных причин экономического неравенства и политических институциональных изменений.

Key words:

Дарон Аджемоглу, Нобелевская премия, инклюзивные институты, узкий коридор