

Nobel Lecture: Paths towards the Periphery

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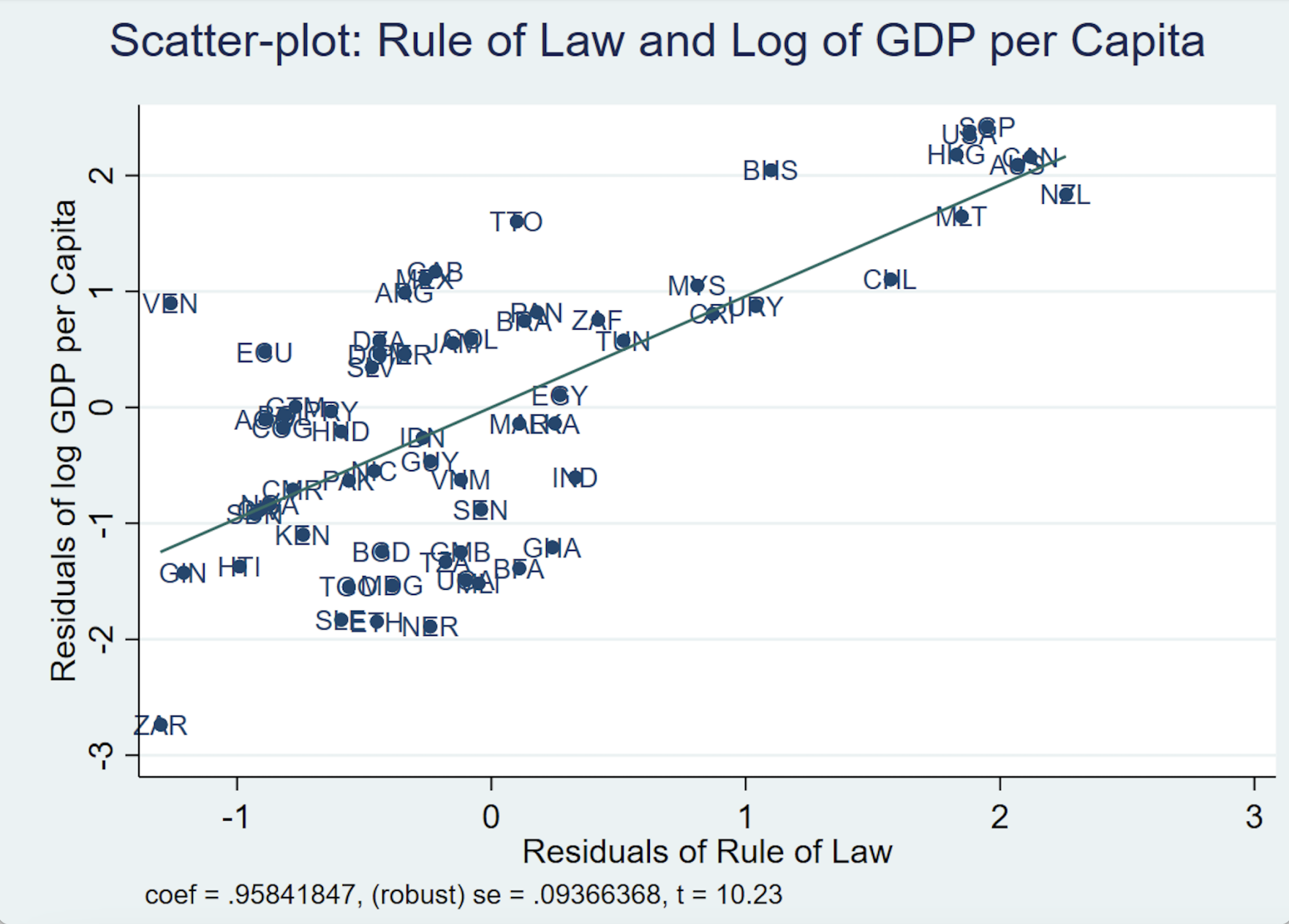
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The Importance of Institutions

- My empirical work with Daron Acemoglu and Simon Johnson in “Colonial Origins of Comparative Development” and “Reversal of Fortune” establishes that differences in economic institutions account for the preponderance of the differences in income per-capita between poor and rich countries.
- We initially measured institutions in a specific way using data on “absence of expropriation risk” to capture the security of property rights.
- In subsequent work we augmented this with a measure of “Rule of Law” from the World Bank.

Countries with greater rule of law are more prosperous



What it means to have “bad” institutions and why it matters

- There are different ways in which property rights can be insecure and many reasons for the lack of rule of law.
- These differences turn out to be crucial for understanding why poor countries are poor and what their citizens can do about it.
- They are also important for understanding how we, as outsiders, can engage with these countries.
- Let me give two examples of the different ways that the rule of law can be absent:

#1: The (absence) of the Rule of Law in China: Confucius

- In a passage in the *Analects* it is recorded
“The Duke of She said to Confucius, “Among my people there is one we call ‘Upright Gong.’ When his father stole a sheep, he reported him to the authorities.” Confucius replied, “Among my people, those who we consider ‘upright’ are different from this: fathers cover up for their sons, and sons cover up for their fathers. ‘Uprightness’ is to be found in this.”
- One’s first loyalty is to one’s family not to an abstract rule of law.



#2: The (absence) of the Rule of Law in Colombia: Brigard and Urrutia

- Between 2010-12 Riopaila-Castilla created 28 shell companies with the help of law firm Brigard and Urrutia and bought 42,000 hectares of land in La Antillanura.
- In an interview on La W radio a lawyer from Brigard and Urrutia was asked
“The question is: did you have to “stretch” the law so you could buy and keep the land?
Brigard and Urrutia: The law is there to be interpreted. Here they are not white or black.”



Normative Orders

- While it may be true that the absence of the rule of law is inimical to prosperity, as our empirical evidence shows, the rule of law can fail in different ways.
- In the Chinese (Confucian) case the absence of the rule of law stems from a **normative order** that emphasizes that kin should be put before the law.
- Normative in the sense of there being a criterion or principles which determine how things **should** work or be organized.
- In Colombia there appears to be no such normative order or at least the activities of Brigard and Urrutia appear to have been driven by naked self-interest rather than any notion of “what ought to happen”.

Is there a Normative Order in Colombia?

- There is, but it is not determining the equilibrium the country is in.
- Evidence for that comes from my research with Leopoldo Fergusson and José-Alberto Guerra.
- We study the social norm “no sea sapo” – don’t be a toad.
- This norm is invoked to reproach people who correct anti-social behavior.
- 55% of our subjects expected the norm to be used.
- But 80% thought it was **socially inappropriate** to do so.



What do I mean by Normative Orders?

- That there is a logic to the equilibrium in China which is lacking in Colombia.
- The particular nature of the Chinese order stems from a distinct **ontology** (“what there is”): Chinese society is based not on individuals, but on relationships and communities.
- The aphorism of Confucius reflects this.
- Normative differences are not restricted to ontological (metaphysical) differences they can also be ethical or epistemological.
- Given its implications for the rule of law, couldn't the resulting order have **adverse effects** on the economy?

Yes: Economic Trade-offs

- Much of my work in the past 25 years, particularly in Africa, has found trade-offs between normative orders and prosperity.
- One example comes from my research on the Kuba Kingdom in the Democratic Republic of Congo with Sara Lowes, Nathan Nunn and Jon Weigel.
- This emerged in the 1620s, created by a political entrepreneur called Shyaam.
- To understand the nature of the institution he created I need to talk a little about African society.

The Ontology of African Society

- Africans, like Chinese people, see themselves not as isolated individuals, but in terms of relationships and their place in the community.
- Placide Tempels, in his 1945 book *Bantu Philosophy*, argued that “The concept of separate beings ... which find themselves side by side, entirely independent one of another, is foreign to Bantu thought. Bantu hold that created beings preserve a bond one with another, an intimate ontological relationship, comparable with the causal tie which binds creature and Creator.”
- This ontology is institutionalized in kinship groups and clans (as in China) and an emphasis on the community and **wealth in people**.

Mancala (Wari) board with cowries (contrast with chess)



Source: https://www.britishmuseum.org/collection/object/E_Af1996-16-1-a-ai



The Founder of the Kuba Kingdom

King Shyaam's Ndop statue
seated in-front of a mancala board,
his "emblem" (as Jan Vansina called it).

Source: British Museum

<https://www.britishmuseum.org/collection/image/519973001>

A Segmentary State

- Shyaam's "emblem" symbolizes that the construction of the state respected the basic principles of society – the community and the clan.
- Tempels argued that Africans have: "an ontological duty to preserve the clan."
- This created states which were very different from most Eurasian ones: "segmentary" - which fused kinship with state institutions, but where there was always a **residual tension**.
- Oral history records the highly ambiguous nature of the political centralization of the clans by Shyaam and the Bushong clan.
- Our research found that a legacy of this process is that Kuba people have far less intrinsic commitment to rules and thus the rule of law than comparable Congolese – **the trade-off**.

Paths from the Periphery

- This does not imply that African societies are trapped (any more than China was) into poverty by their normative orders.
- The world and normative orders change.
- Moreover, at any one time there are multiple normative orders in a society, even if one may be dominant at a particular moment.
- The emergence of economic growth in early modern Britain since 1688, and in China since 1978, came as consequences of re-configurations of their normative orders in ways which were more consistent with prosperity.
- Other economic successes, including in Africa, are based on re-adapting the local normative order.

The Emergence of the Rule of Law in Britain

- It happened in the context of the Glorious Revolution of 1688.
- In the political sphere, one normative order, “The Divine Right of Kings”, competed with another, “Popular Sovereignty” and the latter, which emphasized the rule of law, triumphed.
- This re-organization of society, though highly innovative, was justified by appealing to and adapting traditional cultural elements.
 - The Bill of Rights of 1689 stated: “Whereas the late King James the Second ... did endeavour to subvert and extirpate the ... laws and liberties of this kingdom.”
- Nothing new – just a re-assertion of the ancient rights of the English people and all part of a legitimate normative order.
 - Confucius claimed he was simply trying to re-create how things worked during the Zhou period.
 - The Meiji Restoration.

Consensus and Conflict

- There are other recent examples in Africa which have re-configured their societies based on their own normative orders
 - Botswana, the great economic success story of post-colonial Africa, which embedded the traditional assembly, the *kgotla*, with its practices of good governance, into the post-colonial state.

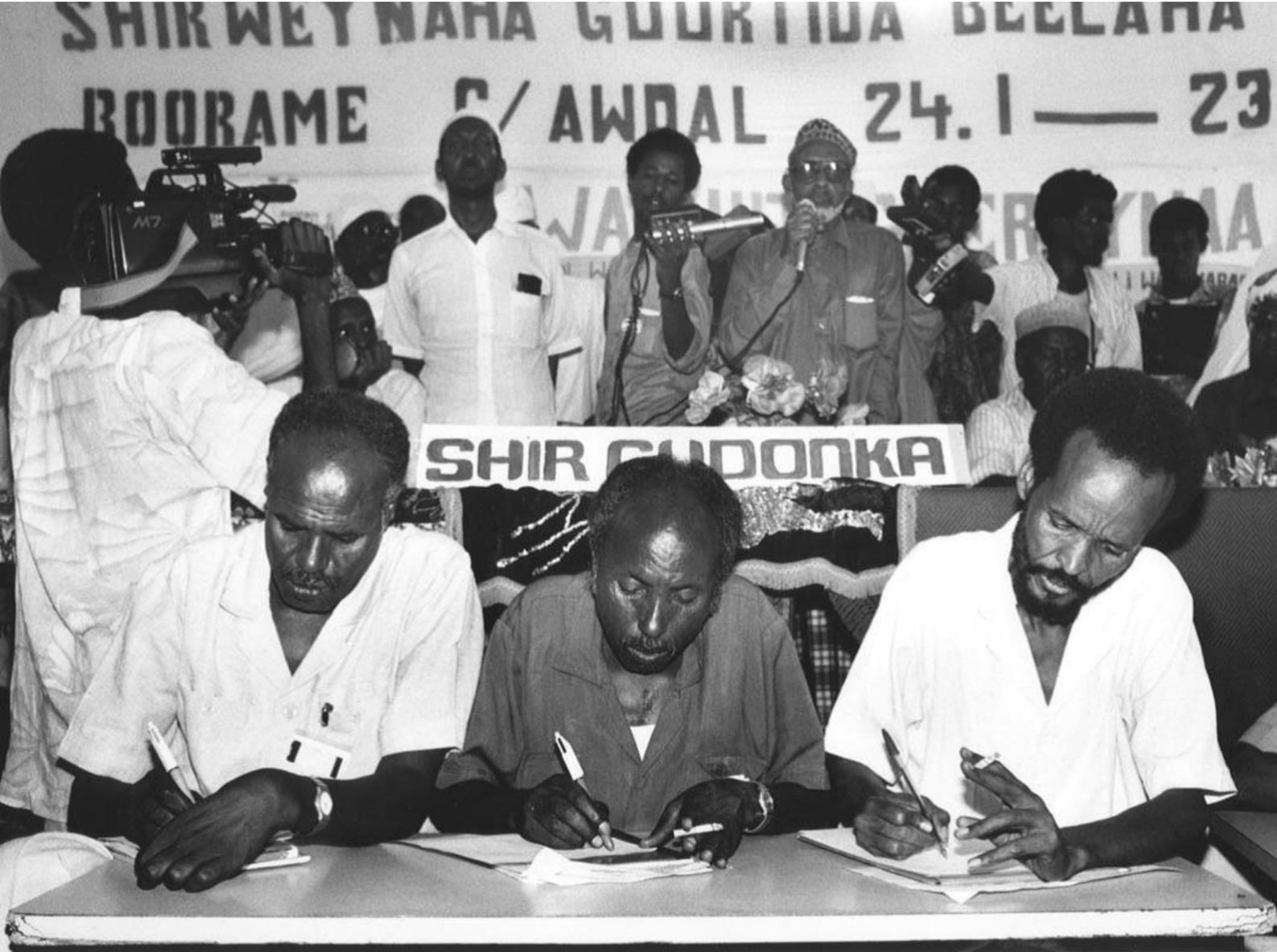


The post-colonial re-invention of the traditional *kgotla*.

Illustration 8. Villagers encounter state officials in a village kgotla. Photo by Ørnulf Gulbrandsen.

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 - Somaliland which constructed a state by innovating institutions based on their traditions, for example inventing the *Guurti*, a senate based on the representation of 82 clans.



The Borama
Conference,
Somaliland
May 1993.

Inventing
the *Guurti*
(which
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- These two cases have been quite consensual, but were facilitated by the post-colonial state matching an area with many cultural and institutional elements in common.
- But recall the Glorious Revolution of 1688.

The Post-Colonial Problem

“The owner was the village, and the village had a mind; it could say no to sacrilege. But in the affairs of the nation there was no owner, the laws of the village become powerless”

Chinua Achebe
(*Man of the People*,
1966, p. 149).

The Otobo Ugwu Dunoka
in Lejja, Enugu State



Meeting of the
Aladimna,
Umuchieze,
Imo State



The Nature of the Problem

		Equilibrium Reflects the Normative Order	
		Yes	No
Complexity of Changing the Order	Low	Britain 1688 Botswana 1966 Somaliland 1991	Colombia
	High	Igboland Kuba Kingdom	National Nigeria National DRC

The Future of Prosperity

- To become prosperous poor countries need to change their institutions.
- But I have learned that this is a very different problem in different places
 - In some places an effective normative order needs to be established (at the national level in Nigeria or the DRC)
 - In others the normative order needs to be renegotiated to make it consistent with prosperity (as has happened in early modern, Britain, Botswana or Somaliland).
 - In others the equilibrium needs to be changed in line with the underlying normative orders (Colombia).
- Note that these are all deeply **political problems**.

Paths towards the Periphery

- Development economics portrays all countries as attempting to achieve the same thing, some succeeded, the prosperous countries, some failed, the poor countries.
- To become rich the poor need to mimic what the rich did.
- I had to unlearn this perspective to appreciate and respect that there are fundamental differences – for example, ontological – between different parts of the world.
- Hence the title of this lecture **Paths towards the Periphery** – my own intellectual journey in the past 32 years.
- If we want to help poor people, we have to take seriously and study more intensively the nature of their societies.