

Review

## **Why Nations Fail: A Review of Answers to the Berg Report of the World Bank from the Perspectives of Two Scholars**

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**Abstract:** The Berg Report's question on why some nations fail is a pertinent question. Many nations in Africa have failed to realize economic growth and development despite many interventions. An attempt at explaining this was made by various scholars, such as Daren Acemoglu and James Robinson, and Thandika Mkandawire, who have proposed certain hypotheses regarding this question. In their publications, Thandika Mkandawire wrote about neopatrimonialism as a school of thought as a way of explaining the failure of the said nations to progress. Mkandawire dismisses this school of thought and notes that there have to be alternative explanations. Acemoglu and Robinson proposed that inclusive institutions are a better bet at determining economic growth and development. The paper highlighted variants of neopatrimonialism that married with the extractive economic tendencies to explain the failure. It was concluded that further research is still needed to reach a better determination of the Berg Report question.

**Keywords:** Neopatrimonialism, Economic Growth, Inclusive Institutions, Extractive Institutions, Berg Report

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### **Introduction**

Scholars have provided a number of reasons for the failure of certain nations to develop. According to the World Bank's Berg Report, it is clear that Africa has suffered a chronic failure of economic growth, and the problem for analysis is to determine the reason behind this fact (Acemoglu & Robinson, 2012). In this paper, the hypotheses presented by Daron Acemoglu and James Robinson (2012) are examined, together with the works of Thandika Mkandawire (2015) on the concept of neopatrimonialism. In the next section, the research on the concept of neopatrimonialism is explored, after which the works of Acemoglu and Robinson are also considered, leading to a conclusion.

Goldsmith and Brinkerhoff (2002) write that governance systems have a dual character; formal and informal elements exist side by side, intimately connected in diverse and not immediately obvious ways. This institutional dualism has its roots in the historical evolution of social relations between rulers and the ruled, from tribal chieftaincies to kingdoms and empires, to feudalism and the emergence of the nation-state. No human society is so “advanced” that it relies exclusively on formal de jure institutions to run its common affairs. Patrimonialism, through Max Weber’s lens before the birth of neopatrimonialism, was the foundational concept. Kanadikirik (2019, p. 128) summarises the concept of patrimonialism as having the following major characteristics:

- The people believe that those who wield power have some immemorial right to it, and that this right has been handed down to them from their predecessors. The right to rule is ascribed to a person rather than to an office.
- The legitimacy of political authority flows from the top to the bottom of the administrative hierarchy. Members of the administration derive their legitimacy for governing from the top, and personal relationships with the top leader are preferred to official procedures.
- The economic set-up is at the whim of the top leader and can be interrupted at any time. This would be an anomaly in a modern free-market economy.

Max Weber coined the phrase ‘patrimonialism’ to describe situations where the administrative apparatus is appointed by and responsible to the top leader. The rulers delegate jurisdiction to their deputies over certain domains based on personal relationships more than any formal qualifications and give them wide leeway on how to act (Kinadikirik, 2019, p. 6). This is in contrast with rational-legal systems, which are characterised by a graded hierarchy, written documentation, salaried, full-time staff, and political neutrality. For Weber, patrimonialism is a government that is derived from and based on traditional authority, organised as a more or less direct extension of the royal household, in which officials are personal dependents of the ruler (Amadi, 2009). Neopatrimonialism, on the other hand, contains some aspects of traditional authority and others from the modern state (Kelsall, 2011, in Zolberg, 1966 and others). Neopatrimonialism is the term applied to administrative systems “in which the customs and patterns of patrimonialism co-exist with, and suffuse, rational-legal institutions” (Bratton and van de Walle 1997: 62 in Goldsmith and Brinkerhoff, 2002). Bach (2011) aptly describes neopatrimonialism as being due to the coexistence of patrimonialism with legal-bureaucratic elements. In Gowon-Adelabu and

Owino (2018), Hyden (2000) defines neopatrimonialism as a multi-dimensional and multi-disciplinary approach that emphasises the process of patrimonial practices taking place in a modern state. In the same article, Clapham (1985) defines neopatrimonialism as a form of organisation in which relationships of a broadly patrimonial type pervade a political and administrative system that is formally constructed on rational-legal lines. A few cases of neopatrimonialism in Africa and outside Africa are highlighted in the next section.

### **Variants of patrimonialism and neopatrimonial rule**

Bach (2011) notes that “Neopatrimonialism was a particular variant of patrimonialism, attuned to the analysis of politics in the ‘post-traditional’ societies of Latin America, South Asia and the Middle East (Eisenstadt, 1973: 15). Africa was absent from Schmucl Eisenstadt’s list and concerns, but it is there that the dissemination of the concept of neopatrimonial rule was to be most successful (p. 276). The concept of neopatrimonial rule was first applied to Africa in the late 1970s, when Jean-François Médard sought to account for the Cameroonian state’s lack of institutionalisation and ‘underdevelopment’ (Bach & Gazibo, 2011).” In President Ahidjo’s Cameroon, a modern bureaucracy existed that was fully controlled in a patrimonial way by the president, and the distinction between private and public was lost.

Oszlak was the first to apply the concept of neopatrimonialism to Latin America, referring to ‘contemporary cases in which “personalist” government turns states into the private government of those possessing the necessary power for the exercise of political domination’ (Oszlak, 1986, p. 229). In contrast to neopatrimonialism in Africa, personal rule was not associated with processes of disinstitutionalisation; rather, it was noted that if the dictator is surrounded by trustworthy advisors, the regime would still have a positive developmental impact.

Neopatrimonial tendencies have been observed even in Russia, where the Bolshevik party was established as a combination of legal-rational procedures of modern party structure and patriarchal chiefdom. Elites create a prerogative inner circle as oligarchs. One can easily see that patrimonialism was never completely abolished by modern state-building, and it is possible to trace patrimonial appearances hidden beneath the modern capitalist process. Even in the history of the USA, which has been very strict on the principles of a free market economy, it is striking to find patrimonial dispositions (Hall, 2015 in Kinadirikik, 2019).

There are several variants of neopatrimonialism. In Bach (2011), ‘two types of African states representing two polar points are shown, with all possible intermediate situations: at one end of the spectrum, neopatrimonial states characterised by a patrimonial mode of political regulation based on redistribution (e.g. Côte d’Ivoire under Houphouët-Boigny), and, at the other end, purely predatory states that correspond to a sultanic type of patrimonialism (Mobutu’s Zaïre)’ (Medard, 2000, p. 854). We find:

i. Regulated patrimonialism

“Regulated forms of neopatrimonialism have usually been associated with the introduction of a policy of ethno-regional balance. The emphasis placed on co-optation and redistribution, rather than coercion, contributes to promoting a culture of mutual accommodation. The expected outcome is an increased state capacity to penetrate society and ensure compliance. The regimes of Jomo Kenyatta (1964–1978) and Félix Houphouët-Boigny (1960–1993) offer good examples of regulated neopatrimonialism.” (Bach, 2011)

ii. Predatory patrimonialism

“Predatory forms of neopatrimonialism refer in Africa to systems where personal rule and resource control reach a paroxysmal level, with a consequent ‘failure of institutionalization . . . and thus of the state’ (Medard, 1991: 339)” (Bach, 2011). Examples include the Bokassa regime in the Central African Republic and Mobutu’s Zaire.

### **The Case of Kenya**

Gowon Adelabu and Owino (2018) note that, in Kenya, neopatrimonialism was in many ways a continuation of the socio-economic and political order of the colonial regime retained by successive post-independent governments. The colonial order perpetuated itself in the retention of the provincial administration, the divide-and-rule policy, and consequent ethnic favouritism and unfair allocation of public resources. Kenyatta replaced the white man with his own Kikuyu henchmen, and terms such as “Kikuyunization” acquired meaning in the Kenyan polity. By the end of the Jomo Kenyatta era, there were 35 Kikuyu District Commissioners out of 41, five Kikuyu Provincial Commissioners out of eight, and thirteen Kikuyu Permanent Secretaries out of a total of nineteen for the whole country of over forty ethnic groups.

When Moi’s turn came, he too embarked on the ‘Kalenjinization’ of the public service and economy. Cabinet slots for the Kalenjin rose from 11.5% to 22%, while permanent secretaries soared from 4.3% to 34%. Paul Hutchcroft’s notion of ‘oligarchic

patrimonialism' sought to account for the control that clans originating from the elite's leading families exerted over the state. Rent capture and 'booty capitalism' (or Beute Kapitalismus, to use Weber's own term) stemmed from the weakness of the state in its dealings with economic circles (Bach, 2011). Bach (2011) continues: In South East Asia, the expressions designed to account for the interactions between state bureaucracies and private business have been generally associated with the identification of specific forms of capitalism – labelled as 'cronyism', 'oligarchic', 'predatory', 'bureaucratic', 'rentier', and even, in the case of Malaysia, 'ersatz capitalism' (Yoshihara, 1988; White, 2004: 389–390).

According to a study by an international audit firm, Kenya is estimated to be losing more than 500 billion Kenyan shillings, or about a tenth of its GDP annually, from bribery, wasteful spending, tendering, fraud and other graft practices (Gowon-Adelabu & Owino, 2018).

Neopatrimonialism has impacted public policy in many ways, especially in Africa. The variant of neopatrimonialism that is practised in any state has determined the effects it has on the economy and whether it results in 'cronyism', 'oligarchic', 'predatory', 'bureaucratic', 'rentier', and even, in the case of Malaysia, 'ersatz capitalism' (Yoshihara, 1988; White, 2004: 389–390).

The current evolutions observed in Africa, like those previously noted in Latin America and South-East Asia, call for a reappraisal of the interactions between neopatrimonialism, institutionalisation and the capacity of a state to produce developmental policies, continues Bach (2011). The worst forms of neopatrimonialism result in sultanism, cronyism, clientelism, state capture, klepto-patrimonial states and other such negative practices and realities. There is an argument for a more distributive paradigm that attempts to correct imbalances and perceived injustices in the system, such as in the case of post-independent Ivory Coast. Africa, it seems, is still struggling to find a truly African governance system that resonates with the culture and history of African societies and works for the benefit of all. Neopatrimonialism is, therefore, an area that requires more study with respect to African governments and governance.

Turning to the conceptualisation offered by Acemoglu and Robinson (2012, p. 106) on why nations fail, it is reasonable to contend that their central thesis is that economic growth and prosperity are associated with inclusive economic and political institutions, while extractive institutions typically lead to stagnation and poverty. The authors glean

from the literature three major hypotheses offered by scholars to explain why Africa has failed to develop: the geography, culture, and ignorance hypotheses.

According to the geography hypothesis, nations that fail tend to be located between the tropics of Cancer and Capricorn, and the relative heat could lead to less energy and self-application to work (apart from tropical diseases and unfavourable soils); however, countries such as Singapore, Malaysia and Botswana disprove this hypothesis because they have attained considerable levels of development and economic growth despite falling within that geographical definition. Under the culture hypothesis, the Protestant Reformation and superior European culture are associated with greater development, but France, which is predominantly Catholic, also climbed the development ladder despite not ticking all the boxes of the Protestant Reformation. The most popular hypothesis, at least by the measure of economists, is the ignorance hypothesis, which assumes that the failure to develop is the result of poor economic choices by leaders; hence, the Bretton Woods institutions generated programmes such as the structural adjustment programmes that developing or underdeveloped nations were then prescribed to use.

Acemoglu and Robinson (2012) highlighted a number of cases that did not support the three hypotheses explained above. It was therefore concluded that the reason for the failure to develop must lie elsewhere. In one case, Nogales, composed of one community that was similar in every way but which was administratively divided such that Nogales to the north became part of Arizona, USA, and Nogales to the south in Sonora, part of Mexico, presented with totally different development indices, with the north performing far better in living standards and physical facilities than the south. The only difference between the two Nogales was the institutions under whose governance they operated – one to the north in the USA and the other to the south in Mexico. The same argument could be used in the case of South Korea (free market) and North Korea (controlled economy). The second case is that of the provinces of Calca and Acomayo in present-day Peru. Both provinces are inhabited by the Quechua-speaking descendants of the Incas, that early civilisation, yet Acomayo is far poorer than Calca. The only difference between the two is their history; Acomayo having suffered under the oppressive ‘Potosi Mita’ exploitative system of production, while Calca did not and ended up enjoying a free market economy. Again, we see the erosion of institutions and the history of oppression playing a role in stifling development. Another case cited by the authors is tolerance for Joseph Schumpeter’s ‘creative destruction’, where innovation was rewarded and old ideas discarded in favour of

better ones without favouritism towards the established class. New ideas were often attacked during the Industrial Revolution by those, such as the Luddites (workers), who felt threatened by new machines such as the spinning jenny. Without creative destruction, the new ideas of the Industrial Revolution would not have taken root and led to massive developments in the textile industry.

### **Conclusion**

Thandika Mkandawire concluded that the concept of neopatrimonialism, proposed by its proponents from the school of neopatrimonialism, is in fact a vague proposition used to explain all failures without carefully considering the intricacies of each case. Aaron Degrassi refers to it as a conceptual muddle with no clear parameters. I conclude that the variant of neopatrimonialism that is practised in any state is critical to its impact on economic growth and development. The more extractive variants lead to poor economies and a lack of development. The more distributive variant is less harmful to economic growth and development, if the concept is accepted. However, there is still disagreement between scholars as to the legitimacy of the concept in the first place. Acemoglu and Robinson (2012) tie the question of economic growth and development to levels of institutionalisation and inclusiveness of the institutions, as well as the history of the state, especially in terms of extractive or inclusive economic practices. I tend to agree with the revolutionists in the Arab Spring who posited that politics was more determinant than other factors of the standards of living of the general populace. Collier (2007) contended that there had to be a distinction between what he called ‘development buzz’, the realm of non-state actors and celebrators more focused on buzzwords and slogans and ‘development biz’, intent on maintaining a profitable status quo that exploits the billion poor at the bottom of the pyramid. Some concerted global action, therefore, needs to be taken from collective political will to establish conditions that promote non-extractive institutions everywhere and encourage innovative production for the betterment of all.

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