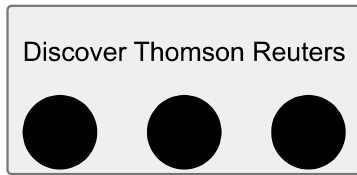


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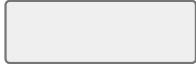
No, a nation's geography is not its destiny

By

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This essay is adapted from [Why Nations Fail: The Origins of Power, Prosperity and Poverty](#), published this week. For more from these authors, see their [blog](#).



Slideshow (2 images)

If you start in the city center of Nogales, Santa Cruz [Arizona] and walk south for a while, at some point you see houses become much more run down, streets turn decrepit. You have crossed the Mexican border into Nogales, Sonora. Though the two cities are made of the same cloth and were once united, now there are sharp differences between the two. Those in the north are about three times as rich, have access to much better health care, stay in school much longer and of course take part in a much more democratic political process than their cousins in the south. The differences between the two halves of Nogales are a micro, tiny version of huge differences in prosperity and living standards we see around the world. Take Mexico as a whole, for example: it has less than one quarter of the GDP per capita of the United States. Take Peru; it has about one seventh of the GDP per capita of the United States. Or take Ethiopia, Haiti, Somalia or the Congo, each of [which] has less than one thirtieth of the GDP per capita of the United States. Our thesis is that these differences are the outcome of different economic and political institutions which lead to very different incentives.

Though history bears out the defining role of institutions in shaping prosperity and poverty, most social scientists and experts have emphasized different factors. One of the most widely accepted alternative theories of world inequality is the geography hypothesis, which claims that the great divide between rich and poor countries is created by geographical differences. Many poor countries, such as those of Africa, Central America, and South Asia, are between the tropics of Cancer and Capricorn. Rich nations, in contrast, tend to be in temperate latitudes. This geographic concentration of poverty and prosperity gives a superficial appeal to the geography hypothesis, which is the starting point of the theories and views of many social scientists and pundits alike. But this doesn't make it any less wrong.

As early as the late eighteenth century, the great French political philosopher Montesquieu noted the geographic concentration of prosperity and poverty, and proposed an explanation for it. He argued that people in tropical

climates tended to be lazy and to lack inquisitiveness. As a consequence, they didn't work hard and were not innovative, and this was the reason why they were poor. Montesquieu also speculated that lazy people tended to be ruled by despots, suggesting that a tropical location could explain not just poverty but also some of the political phenomena associated with economic failure, such as dictatorship.

The theory that hot countries are intrinsically poor, though contradicted by the recent rapid economic advance of countries such as Singapore, Malaysia, and Botswana, is still forcefully advocated by some, such as the economist Jeffrey Sachs. The modern version of this view emphasizes not the direct effects of climate on work effort or thought processes, but two additional arguments: first, that tropical diseases, particularly malaria, have very adverse consequences for health and therefore labor productivity; and second, that tropical soils do not allow for productive agriculture. The conclusion, though, is the same: temperate climates have a relative advantage over tropical and semitropical areas.

World inequality, however, cannot be explained by climate or diseases, or any version of the geography hypothesis. Just think of Nogales. What separates the two parts is not climate, geography, or disease environment, but the U.S.-Mexico border. If the geography hypothesis cannot explain differences between the north and south of Nogales, or North and South Korea, or those between East and West Germany before the fall of the Berlin Wall, could it still be a useful theory for explaining differences between North and South America? Between Europe and Africa? Simply, no. History illustrates that there is no simple or enduring connection between climate or geography and economic success. For instance, it is not true that the tropics have always been poorer than temperate latitudes. At the time of the conquest of the Americas by Columbus, the areas south of the Tropic of Cancer and north of the Tropic of Capricorn, which today include Mexico, Central America, Peru, and Bolivia, held the great Aztec and Inca civilizations. These empires were politically centralized and complex, built roads, and provided famine relief. The Aztecs had both money and writing, and the Incas, even though they lacked both these two key technologies, recorded vast amounts of information on knotted ropes called quipus. In sharp contrast, at the time of the Aztecs and Incas, the north and south of the area inhabited by the Aztecs and Incas, which today includes the United States, Canada, Argentina, and Chile, were mostly inhabited by Stone Age civilizations lacking these technologies. The tropics in the Americas were thus much richer than the temperate zones, suggesting that the "obvious fact" of tropical poverty is neither obvious nor a fact. Instead, the greater riches in the United States and Canada represent a stark reversal of fortune relative to what was there when the Europeans arrived.

This reversal clearly had nothing to do with geography and, something to do with the way these areas were colonized. This reversal was not confined to the Americas. People in South Asia, especially the Indian subcontinent, and in China were more prosperous than those in many other parts of Asia and certainly more than the peoples inhabiting Australia and New Zealand. This, too, was reversed, with South Korea, Singapore, and Japan emerging as the richest nations in Asia, and Australia and New Zealand surpassing almost all of Asia in terms of prosperity. Even within sub-Saharan Africa there was a similar reversal.

Tropical diseases obviously cause much suffering and high rates of infant mortality in Africa, but they are not the reason Africa is poor. Disease is largely a consequence of poverty and of governments being unable or unwilling to undertake the public health measures necessary to eradicate them. England in the nineteenth century was also a very unhealthy place, but the government gradually invested in clean water, in the proper treatment of sewage and effluent, and, eventually, in an effective health service. Improved health and life expectancy were not the cause of England's economic success but one of the fruits of its previous political and economic changes. The same is true for Nogales, Arizona.

The other part of the geography hypothesis is that the tropics are poor because tropical agriculture is intrinsically unproductive. Tropical soils are thin and unable to maintain nutrients, the argument goes, and emphasizes how quickly these soils are eroded by torrential rains. There certainly is some merit in this argument, but the prime determinant of why agricultural productivity — agricultural output per acre — is so low in many poor countries, particularly in sub-Saharan Africa, has little to do with soil quality. Rather, it is a consequence of the ownership structure of the land and the incentives that are created for farmers by the governments and institutions under which they live. Another influential version of the geography hypothesis is advanced by the ecologist and evolutionary biologist Jared Diamond. He argues that the origins of intercontinental inequality at the start of the

modern period, five hundred years ago, rested in different historical endowments of plant and animal species, which subsequently influenced agricultural productivity. In some places, such as the Fertile Crescent in the modern Middle East, there were a large number of species that could be domesticated by humans. Elsewhere, such as the Americas, there were not. Having many species capable of being domesticated made it very attractive for societies to make the transition from a hunter-gatherer to a farming lifestyle. As a consequence, farming developed earlier in the Fertile Crescent than in the Americas. Population density grew, allowing specialization of labor, trade, urbanization, and political development. Crucially, in places where farming dominated, technological innovation took place much more rapidly than in other parts of the world. Thus, according to Diamond, the differential availability of animal and plant species created differential intensities of farming, which led to different paths of technological change and prosperity across different continents.

Though Diamond's thesis is a powerful approach to the puzzle on which he focuses, it cannot be extended to explain modern world inequality. For example, Diamond argues that the Spanish were able to dominate the civilizations of the Americas because of their longer history of farming and consequent superior technology. But we now need to explain why the Mexicans and Peruvians inhabiting the former lands of the Aztecs and Incas are poor. While having access to wheat, barley, and horses might have made the Spanish richer than the Incas, the gap in incomes between the two was not very large. The average income of a Spaniard was probably less than double that of a citizen of the Inca Empire. Diamond's thesis implies that once the Incas had been exposed to all the species and resulting technologies that they had not been able to develop themselves, they ought quickly to have attained the living standards of the Spanish. Yet nothing of the sort happened. On the contrary, in the nineteenth and twentieth centuries, a much larger gap in incomes between Spain and Peru emerged. Today the average Spaniard is more than six times richer than the average Peruvian. This gap in incomes is closely connected to the uneven dissemination of modern industrial technologies, but this has little to do either with the potential for animal and plant domestication or with intrinsic agricultural productivity differences between Spain and Peru.

While Spain, albeit with a lag, adopted the technologies of steam power, railroads, electricity, mechanization, and factory production, Peru did not, or at best did so very slowly and imperfectly. This technological gap persists today and reproduces itself on a bigger scale as new technologies, in particular those related to information technology, fuel further growth in many developed and some rapidly developing nations. Diamond's thesis does not tell us why these crucial technologies are not diffusing and equalizing incomes across the world and does not explain why the northern half of Nogales is so much richer than its twin just to the south of the fence, even though both were part of the same civilization five hundred years ago.

Inequality in the modern world largely results from the uneven dissemination and adoption of technologies, and Diamond's thesis does include important arguments about this. For instance, he argues, following the historian William McNeill, that the east-west orientation of Eurasia enabled crops, animals, and innovations to spread from the Fertile Crescent into Western Europe, while the north-south orientation of the Americas accounts for why writing systems, which were created in Mexico, did not spread to the Andes or North America. Yet the orientation of continents cannot provide an explanation for today's world inequality. Consider Africa. Though the Sahara Desert did present a significant barrier to the movement of goods and ideas from the north to sub-Saharan Africa, this was not insurmountable. The Portuguese, and then other Europeans, sailed around the coast and eliminated differences in knowledge at a time when gaps in incomes were very small compared with what they are today. Since then, Africa has not caught up with Europe; on the contrary, there is now a much larger income gap between most African and European countries. It should also be clear that Diamond's argument, which is about continental inequality, is not well equipped to explain variation within continents — an essential part of modern world inequality. For example, while the orientation of the Eurasian landmass might explain how England managed to benefit from the innovations of the Middle East without having to reinvent them, it doesn't explain why the Industrial Revolution happened in England rather than, say, Moldova. In addition, as Diamond himself points out, China and India benefited greatly from very rich suites of animals and plants, and from the orientation of Eurasia. But most of the poor people of the world today are in those two countries.

The geography hypothesis is not only unhelpful for explaining the origins of prosperity throughout history, and mostly incorrect in its emphasis, but also unable to account for the lay of the land. One might argue that any

persistent pattern, such as the hierarchy of incomes within the Americas or the sharp and long-ranging differences between Europe and the Middle East, can be explained by unchanging geography. But this is not so. The patterns within the Americas are highly unlikely to have been driven by geographical factors. Before 1492 it was the civilizations in the central valley of Mexico, Central America, and the Andes that had superior technology and living standards to North America or places such as Argentina and Chile. While the geography stayed the same, the institutions imposed by European colonists created a “reversal of fortune.” Geography is also unlikely to explain the poverty of the Middle East for similar reasons. After all, the Middle East led the world in the Neolithic Revolution, and the first towns developed in modern Iraq. Iron was first smelted in Turkey, and as late as the Middle Ages the Middle East was technologically dynamic. It was not the geography of the Middle East that made the Neolithic Revolution flourish in that part of the world, as we will see in chapter 5, and it was, again, not geography that made the Middle East poor. Instead, it was the expansion and consolidation of the Ottoman Empire, and it is the institutional legacy of this empire that keeps the Middle East poor today.

Finally, geographic factors are unhelpful for explaining not only the differences we see across various parts of the world today but also why many nations such as Japan or China stagnate for long periods and then start a rapid growth process. We need another, better theory — one based on institutions and that also explains why institutions differ systematically across countries and why they change. This is the task we take on in *Why Nations Fail*.

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