

Institutions

Economics

Why similar resources produce very different outcomes.

Inclusive institutions

- Secure, broadly held property rights
- Constraints on executive power
- Open entry to markets and occupations
- Impartial contract enforcement
- Broad access to education

Extractive institutions

- Rights secure only for elites
- Few constraints on power
- Entry restricted by connection
- Enforcement varies by who you are
- Education limited by design

THE DIFFERENCE THAT MATTERS

Extractive institutions can produce growth for a period, but rarely sustain it, because they resist the disruption growth requires.

Educational reference. The direction of causation between institutions and growth remains debated in the literature.