Question 2: “Weak institutions, including property rights, are the primary reason why nations fail.” In what ways do institutions affect development? Are weak institutions the biggest barrier to development?

To begin with, many scholars are convinced that weak institutions do not appear by themselves but are rather the result of a number of events take place in a country. It is a popular opinion that that weak institutions serves as indices of a country’s development.

In accordance to Evans and Popova (2014), systems which include weak institutions frequently lack the drive which is often necessary to push and develop reforms. Weak institutions are frequently connected with the absence of a civil society (in its direct understanding), and, as a consequence, the external force to implement the reforms. In addition to this, in case when the institution of law is a weak one in a particular country, it can seem to be weak in the process of public service. This results in the fact that employees are often not acquainted with their rights and responsibilities. The process of reforms in such systems begins at a lower point and requires more goals to be accomplished. This is the primary influence of weak institutions on a certain economy and country as a whole; however, they are not the largest barrier to the country’s development.

There is a point of view that the biggest barrier consists in the lack of an analytical framework. In order to avoid this, it is necessary for other institutions to be created that would compensate or at least substitute the role of the weak institutions, for example an institution of property rights.

It seems credible that property is often a cause of a crisis, since the more state property is being privatized, the more the country loses its essential resources and reserves. To struggle against this process as well as against the appearance of the weak institutions, there should exist firm and stable law system and the system of regulations.
In addition to this, the government’s ability to analyze the possible causes, outcomes and further development of weak institutions is vital for the future development of the country. On the one hand, it is the government and authorities who are in a position of control of the weak institutions. On the other hand, it is the legislative system which has the ability to eradicate or stimulate weak institutions.

*Question 3: Why did the High Performing Asian Economies (HPAEs) experience such rapid economic development? Can any lessons from the HPAEs be applied to low-income countries today?*

The HPAEs were very successful at the distribution growth’s results. The HPAEs experienced a much larger per capita growth of income while the distribution of it got better than than in other growing economies, excluding Korea and Taiwan, which are known to have relatively equal distribution of profits. Some of the speedily growing economies of East Asian countries, such as, for instance, Hong Kong, Japan, and Singapore, are known to be ones of the most equal. It should be noted that this could be applied to a lesser degree to most of the HPAEs.

Many researches of the Asian economies are convinced that the main reason for the rapid growth in this region lies in the natural resources that they possess. However, other researches conclude that the reason of the quick growth is the ability of the national governments of these countries to successfully and effectively utilize these resources. In addition to this, the law and punitive systems are of a great importance, because they contribute to the process of fast development of these economies.

The lessons which might be learned from the HPAEs consist in the ability to follow the rules, i.e. the laws and regulations created in order to maintain and accelerate the development. A lot of the European countries are actually quite distant from such practices,
since in them latent stealing of the incomes and money is practiced. In addition to this, another important factor is corruption. Olken (2007) is convinced that “despite the importance of the problem, the inherent difficulty of directly measuring corrupt activity has meant that there is relatively little evidence, and therefore relatively little consensus, on how best to reduce corruption.” The Asian countries, as it has been proved by numerous researches do not exhibit a lot of the common features of corruption, since it is strictly forbidden and is prosecuted in accordance with the law. Should USA and Europe successfully fight their problems of corruption the state of their affairs would be substantially be improved. Oppositely, Smith (2005) is convinced that “there are some sorts of industry, even of the lowest kind, which can be carried on nowhere but in a great town” (Smith 21).

As a consequence, it is necessary to take into account a lot of factors that influence development of HPAEs. On the other hand, it is important for other regions of the world to be flexible enough and try to implement the new mentality into their vision of economic growth and development.