

# ACEMOGLU & ROBINSON, "POLITICAL LOSERS"

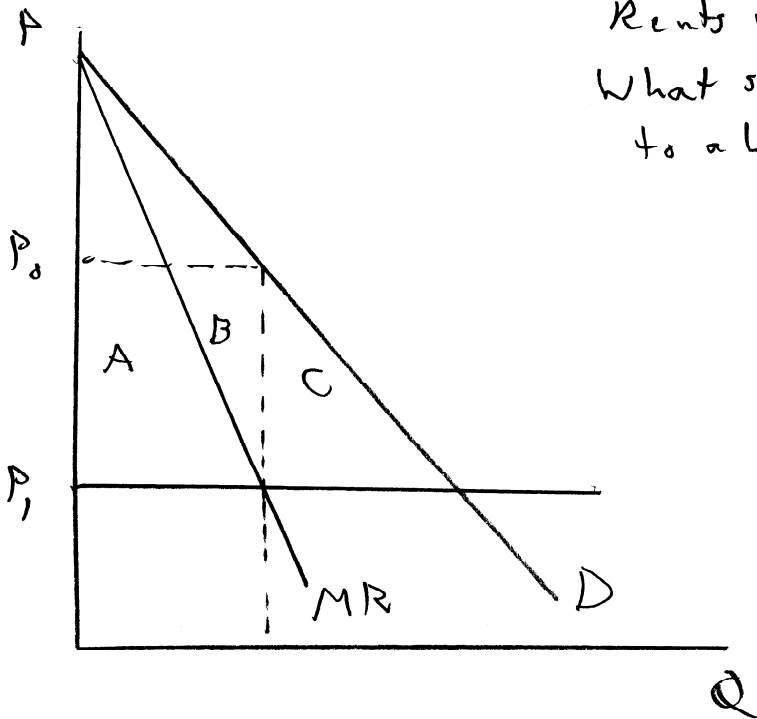
## Puzzle:

Sometimes efficiency-enhancing reform  
(new technology, abolition of monopoly,  
free trade...)

is blocked by politically powerful groups  
who get rent from old system.

But society should be able to adopt reforms  
& compensate blockers, leaving them at  
least as much as they got under old system.

Example: monopoly



Rents under monopoly:  $A + B$   
What somebody is willing to pay  
to abolish monopoly:  $A + B + C$

## A & R (cont.)

(2)

### Proposed answer

- 1) IF blockers take the deal, they may lose promised compensation if they lose political power
- 2) "political power is dependent on the monopolist's [blocker's] economic position in that, when it blocks the [reform], it is more likely to remain in power."

Across countries, better development outcomes where elites feel more secure in power.