

COMUNICATO n. 1391 del 24/05/2025

From U.S. patents to African democracies, 2024 Nobel Laureate James Robinson shows how inclusive systems shape economic futures - and what happens when they fail to deliver.

Institutions Matter: Innovation, Inequality, and the Future of Growth

At the Trento Festival of Economics, an engaging lecture brought together leading experts to explore the relationship between innovation, inclusion, and sustainable economic growth. The session featured Laura La Posta, Managing Editor and Head of Special Reports at Il Sole 24 Ore; Alberto Magnani, journalist covering African economies for Il Sole 24 Ore; and James Robinson, 2024 Nobel Laureate in Economic Sciences and co-author of "Why Nations Fail".

Institutions shape prosperity: inclusive ones foster innovation and growth, while extractive ones lead to stagnation or collapse. This was the concept at the core of Professor James Robinson's lecture today. 2024 Nobel Laureate in Economic Sciences, he illustrated how global income trends reveal divergence: in some nations it rose rapidly, while in others it remained stagnant. Innovation is crucial, but must be balanced by redistribution of wealth to avoid deepening inequality. Political inclusivity is key to sustaining inclusive economic systems. Without it, even successful economies risk decline.

Why do some countries grow rich while others remain stuck in poverty? The answer lies in institutions, according to professor Robinson, as institutions shape prosperity. Income data over the past decades shows it clearly. The U.S. sits at the top, followed by Europe and South Korea. Latin America lags behind, and sub-Saharan Africa stagnates. South Korea rose from levels close to Latin America to European heights. Also, China showed remarkable progress: being once where Nigeria is today, it has now overtaken Latin America. "The most spectacular rise is South Korea", Robinson stated, and asked: "What can the explanation be?" **Innovation is part of the answer, together with inclusive economic institutions. These are systems that allow people from all walks of life to participate, contribute, and benefit.** As an example, he recalled that "the U.S. patent system was revolutionary: everyone could apply, and the state protected your rights". This inclusivity unleashed creativity across society. When countries support innovation through strong, fair institutions (like patent systems), they grow. China and South Korea made transitions toward more inclusive economic structures.

Prompted by moderator La Posta, Robinson stated that it's too early to say if the U.S. is heading for collapse. The country once thrived by attracting global talent, but now there is a rising hostility toward foreigners, which threatens innovation. Still, it might be a transitory phase: history shows the U.S. can adapt. Technology like AI can fuel growth, but also deepen inequality if left unchecked. **Answering journalist Magnani,** Robinson mentioned how in Africa, the challenge is even deeper as weak institutions, corruption, and fragile democracies have blocked progress. Frustration grows when change does not follow elections. Without inclusive systems functioning, both innovation and stability remain out of reach.

