

**Smart Samaritans: Is There A Third Way in the Development Debate?**

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By Michael Clemens

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**ABSTRACT**

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In this CGD Essay, research fellow Michael Clemens reviews Paul Collier's new book *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*. Poor countries showing signs of growth such as India and Brazil are well on their way to pulling themselves out of poverty, but there are a billion people living in impoverished countries showing no signs of economic growth. Paul Collier's new book, *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*, argues that many developing countries are doing just fine and that the real development challenge is the 58 countries that are economically stagnant and caught in one or more "traps": armed conflict, natural resource dependence, poor governance, and geographic isolation. In this Essay CGD research fellow Michael Clemens explores whether or not Collier's proposed solutions constitute a practical middle path between William Easterly's development pessimism and Jeffrey Sachs's development boosterism.

The centerpiece of Collier's argument is his plan for the G-8, comprised of four main elements: aid for post-conflict reconstruction and regional infrastructure development, five international charters (addressing natural resources, democracy, budget transparency, post-conflict politics, and international investment), a trade policy to help bottom-billion countries compete with Asia, and selective and very limited military interventions. Clemens, an economic historian, ends his discussion of Collier's proposals with a cautionary note: "Helping the bottom billion will be a very slow job for generations, not the product of media- or summit-friendly plans to end poverty in ten or 20 years. It will require long-term, opportunistic, and humble engagement, much of it through public action—built on a willingness to let ineffective interventions die and on a sophisticated appreciation of the stupendous complexity of functioning economies. The grievous truth is that although a range of public actions can and should help many people, most of the bottom billion will not—and cannot—be freed from poverty in our lifetimes."

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# Smart Samaritans: Is There a Third Way in the Development Debate?<sup>1</sup>

By Michael A. Clemens<sup>2</sup>

Review of *THE BOTTOM BILLION: WHY THE POOREST COUNTRIES ARE FAILING AND WHAT CAN BE DONE ABOUT IT*. By Paul Collier. Oxford University Press, 2007, 205 pp. \$28.00.

How can rich outsiders help the poor in places where nothing seems to work? Fresh out of college, I worked on a United Nations project to bring new farming methods to a remote and impoverished jungle village in Colombia. The first clue as to the difficulties we would face hit me as soon as I stepped off the bus and saw the moldy, abandoned headquarters of an earlier project—apparently its only lasting achievement. Ninety minutes later came a second clue: guerrilla fighters massacred 18 people right outside town by firebombing the very bus route I had just taken.

As I talked to farmer after farmer, a landscape of challenges emerged. Which of many competing locals represented “the community”? Why should farmers listen to us when there were so many officials, indigenous leaders, businesspeople, traffickers, soldiers, rebels, and missionaries peddling different, and often conflicting, advice? And even if our UN team somehow got the agronomy and the politics right in this village, what would that matter if the four-decade cycle of civil war continued?

Three years later, I found myself on a World Bank mission in the office of a government minister in Guyana, one of the poorest countries in South America. The minister’s telephone interrupted our conversation. On the other end, he explained after hanging up, was an anonymous voice hinting that his children might not arrive home safely that night. Earlier that day, the minister had announced plans for court proceedings against a powerful Asian company active in the same area as our World Bank project. “That’s why I carry this,” he said, hoisting a leg onto the desktop to reveal a revolver strapped to his lower calf.

As an outsider, it seemed to me that the minister was a hero engaging villains in a high-stakes showdown to which I was largely irrelevant. No matter how carefully we on the World Bank team did our work, what could it achieve if we did not somehow help this man? How, exactly, could we help him from Washington? And anyway, how certain could we be that he was in fact a hero?

These are standard dilemmas for anyone involved in development projects. After being spurred to act, most are quickly forced to ponder the complexities of the systems with

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which they are interacting and consider what they can actually achieve—and what sorts of unintended consequences their efforts might have. Most go home—as I did—to opulent lives, while those left behind continue to live with few opportunities.

Two recent influential books by brilliant economists mark opposite poles in the debate that has arisen from such dilemmas. These works have come to define the policy discussion for anyone who studies how rich countries can help poor countries. It is a debate of great importance: where you come down between the opposing views leads to enormously different acts in government offices and in villages all over the world.

The first is Jeffrey Sachs' *The End of Poverty: Economic Possibilities for Our Time*. Sachs presents a deeply affecting moral argument for a carefully designed \$195 billion annual program of village-level interventions in schooling, nutrition, sanitation, road paving, and malaria prevention. He is currently piloting his approach in around a hundred "Millennium Villages," most of them in sub-Saharan Africa.

The second is William Easterly's *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*. Easterly is dramatically more skeptical of aid's potential. He details a wide range of interventions in poor countries that—despite careful design and moral fervor—produced only waste or, in many cases, harm.

Sachs stresses the ethical imperative of bold, concerted action and derides "armchair economists" who do not offer constructive alternatives. Easterly criticizes "planners" such as Sachs, seeing more promise in the "searchers" who have historically solved economic problems in a decentralized, piecemeal fashion. Sachs highlights sins of omission, Easterly sins of commission. (Both men are affiliated with my employer, the Center for Global Development, Sachs as a board member and Easterly as a fellow.)

Many of those working day to day on poverty reduction, in both rich and poor countries, express dissatisfaction with both sides in this argument. Sachs' exhortations do not convince many insiders because, according to the refrain, he promises too much and does not see the limits of money and technology. (One memorably described Sachs' book to me as reflecting the thoughts of a "great preacher, mediocre theologian, and lousy minister.") Yet even many of the battle-hardened assert that Easterly's doubts go too far; they see him as a wise but blithe naysayer, comforting cynics who would happily leave poor countries to their fates.

## **TRAPSHOOTING**

Paul Collier, an economist at Oxford, aims to fill the gap between the two poles. His new book, *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*, is meant to surmount the Sachs-versus-Easterly debate by remedying what Collier sees as the limitations of each view. Collier wants to temper Sachs' grandiose claims by arguing that a worldwide aid plan will be ineffective and that assistance should be more focused in both space and time. And he seeks to temper

Easterly's aid skepticism by arguing that less should be expected and that the instruments of assistance should extend far beyond mere aid. As he puts it, rich countries must "narrow the target and broaden the instruments."

Collier's first step is to show that the people most in need of our attention are not all those who are poor but those who are both very poor and caught in countries whose economies are not growing. This includes about a billion people living in the 58 countries that have low per capita incomes and have not grown over the long term. Most of these countries are in Africa, but they also include Bolivia, Cambodia, Haiti, Laos, Myanmar, Yemen, and several Central Asia countries. There are many very poor people in other places, such as India, but at least that country is starting to generate opportunities for larger numbers of people. The poorest people everywhere might need humanitarian assistance, but development assistance—something distinct, for Collier—should go primarily to those countries currently achieving no sustained growth.

For the countries of the bottom billion, the long-term problem is not that they have lacked "sustainable, pro-poor growth ... it is that they have not had *any* growth." Such stagnation, Collier argues, is due to a series of "traps"—traits that simultaneously cause and are reinforced by poverty, locking a country into a vicious cycle. Sachs, in his recent Reith Lectures on the BBC, focused on four traps: poor nutrition, debilitating disease, terrible infrastructure, and high fertility. Collier does not take serious issue with any of these but rather points out four related traps in which the bottom-billion countries are caught: armed conflict, dependence on natural-resource extraction, poor governance, and geographic isolation from good markets (this last is essentially identical to Sachs' infrastructure trap).

The book's discussion of these traps is rich and highly informative—even if some of the statistical evidence Collier cites remains controversial. In sketching the conflict trap, he questions simplistic notions that most wars in bottom-billion countries arise from ethnic strife (he cites Somalia's relative ethnic homogeneity). And he argues that many groups rebelling against brutal regimes are not romantic freedom fighters; they are profit-obsessed resource grabbers.

Collier's second trap, natural-resource dependence, is not simply a matter of a soaring currency killing nonresource exports—the "Dutch disease" economists often speak of. It is more importantly a problem of politics. A centralized source of easy and unaccountable cash tends to annihilate a fledgling democracy by creating patronage machines and lowering the pressure to develop a social contract that comes with effective taxation. The third trap, poor governance, Collier highlights as particularly pernicious. Reforms that can assist growth often go against the interests of key actors, and when their death grip is broken in rare moments of reform, the technical skills necessary to exploit the chance are scarce. This is a direct attack on Sachs, who often suggests that donors invoke poor governance as an excuse to do nothing.

Finally, will globalization free the bottom billion from all these chains? No, Collier maintains, because other traps will prevent it. A trade trap arises: because it is cheaper to

open manufacturing facilities in places where they are already concentrated, the poorest economies, even with their lower wages, cannot compete with the Asian export centers. An investment trap bites when individual international investors expect returns to be low and unpredictable in the poorest countries, thus eliminating potential finance for complementary industries that could raise or smooth those returns. There is even a self-confidence trap: Collier suggests that some African governments that have the possibility to break into new global markets “will not even try because they lack belief in themselves and expect to fail.” And the nature of all these vicious cycles is that they cannot be broken except through some extrinsic event; things will not get better automatically.

The Nobel laureate Robert Solow once wrote that economists are intellectual sanitation workers: their key contribution is to consign bad ideas to the trash. Collier seizes this role vigorously, launching a devastating bombardment on people and organizations that, benevolently or malevolently, reinforce the traps: Togolese President Faure Gnassingbé would make his greatest contribution to development “by dying.” Nongovernmental organizations (NGOs) such as Christian Aid inhabit a “satisfyingly simple ... fantasy world” and exercise “power without responsibility.” Advocates of “fair trade” effectively work to ensure that poor people “get charity as long as they stay producing the crops that have locked them into poverty.” Campaigners for trade barriers to protect poor countries from globalization are “idiots,” and rich-country bankers who hide and invest kleptocrats’ assets are “pimps.” And aid workers furtively dodge the bottom billion because most find life unglamorous in outposts such as Bangui and Vientiane.

## **SELECTIVE INTERVENTIONS**

So much for what will not help. The centerpiece of Collier’s book is his own plan for the G-8, based on a hoard of his own research and experience in advising governments. In laying out this plan, Collier is skeptical of quick fixes, funny, and also deeply caring, with a keen eye for the crucial issues. He is specific, suggesting exactly who should do exactly what, and he takes the development agenda far beyond aid. He aims the spotlight directly and convincingly at the very poorest, and he sets the proper target for development (as opposed to humanitarian) assistance. He emphasizes that “growth is not a cure-all, but lack of growth is a kill-all.”

Collier’s plan has four principal elements: aid for postconflict reconstruction and regional infrastructure development, five international charters, a trade policy to help the bottom-billion countries compete with Asia, and selective and very limited military interventions. Unfortunately, it appears that the effects of each would be limited and uncertain. To start with, Collier’s postconflict interventions would last just ten years. Although longer than donors’ historical attention span, this is a short period, after which any of these countries would remain poor and therefore at high risk for more violence; a real peace in the Democratic Republic of the Congo or Sudan might take much longer. As Collier himself notes, “Conflict prevention is really about breaking all of the other traps,” which is very hard.

Collier's five international charters address natural resources, democracy, budget transparency, postconflict politics, and international investment. The resources charter would facilitate the punishment of Western oil companies that did not "publish what they pay" to extractive regimes. Unfortunately, information is just one of many tools that domestic reformers need. Even full revenue transparency did not stop Chad's leaders from shuttering the civil-society group monitoring the use of its oil windfall and canceling promised social spending. Collier also proposes certifying the origin of oil—for example, telling consumers that the gasoline they are pumping comes from Angola. But this assumes unrealistically informed consumers; 7-Eleven stores' recent decision to label their gasoline as Venezuela-free does not appear to be giving Hugo Chávez insomnia. Meanwhile, many of the elements in Collier's democracy charter are already in the UN's International Covenant on Civil and Political Rights, a charter of uncertain relevance to the actions of the signatories North Korea, Sudan, and Zimbabwe. And as Collier well knows, democratic Senegal did not emerge from among the countries of the bottom billion under the uncorrupted Léopold Senghor, whereas Indonesia did so under the rule of Suharto, an unaccountable autocrat who tops Transparency International's list of all-time largest pilferers of public funds. The ideas in Collier's budget-transparency charter might act in some small way to shore up reformers like Ngozi Okonjo-Iweala, a dynamic woman who, as Nigeria's finance minister, made massive waves when she had the temerity to simply publish how much each state received in oil revenue. But such effects are easily overwhelmed by context: despite massive international support, Okonjo-Iweala was forced out of office when her reforms became politically inconvenient in the run-up to a contentious election last spring. As a model for the investment charter, Collier approvingly cites the World Bank's Multilateral Investment Guarantee Agency. But in its two decades of existence, that body has not done much to change investors' minds about the very poorest countries, and the reforms Collier suggests seem inconsequential.

On trade policy, Collier wants to protect the poorest exporters against competition from Asia not by raising new barriers but by further lowering the barriers to the bottom-billion countries. As he freely admits, however, the barriers against Asian producers are heading down to such a degree that the scope for such selective tweaking will only last another few years. He also wants less restrictive rules of origin in existing concessional trade agreements with the poorest and a special forum in the World Trade Organization to negotiate unilateral concessional trade-barrier reductions. The recent euthanasia of the Doha Round of trade negotiations casts doubt on the practicality of these ideas.

Collier also would like to revive the notion of selective and limited military interventions. He seeks to overcome post-Iraq allergies to such a concept and holds up the broadly successful and much-admired Operation Palliser in Sierra Leone (a British intervention little known, he laments, among Americans). Such interventions would be accomplished through a European rapid-reaction force managed by the African Union. But it is not clear that the African Union has the institutional strength this role demands, and what is more, the very idea of an intervention force is controversial. The Stanford political scientist Jeremy Weinstein, among others, has pointed out that civil wars are far more likely to recur in countries where conflicts have been settled by means of negotiations or a UN intervention than in countries that experienced military victory by one side. This is

not to say that interventions should never happen, but it is reason to be cautious about their use.

One additional point flies in the face of conventional wisdom in the aid industry. Collier recommends that aid programs targeting the bottom billion focus less on development outcomes and tolerate larger relative expenditures on administrative overhead. Doing otherwise, he argues, makes donors too risk averse and disbursement happy. Aid officers who must show quick results with low overhead have a strong incentive to simply avoid tough regions where results come slowly and the price of entry is high.

## NONCLINICAL ECONOMICS

Collier sometimes conveys a realistic sense of what these measures can achieve and sometimes vastly overreaches. “Change in the societies at the very bottom must come predominantly from within; we cannot impose it on them,” he rightly states. But in the very next paragraph he writes, “We can crack this problem; indeed, we must.” Later comes the definitive edict: “Let me be clear: *we* cannot rescue *them*. The societies of the bottom billion can only be rescued from within.” Yet the bottom billion “should rightly stay on the G-8 agenda until [they] are decisively freed from the development traps. This book sets out an agenda for the G-8 that would be effective”—that is, would free them. In his introduction and his conclusion, Collier does not give us a third way that takes us beyond Sachs versus Easterly. He simply gives us Sachs and Easterly on different pages.

Looking beyond the summary statements, many of the proposals in this volume are indeed sensible and worthwhile. Still, these recommendations are not quite enough to liberate benevolent rich countries from their own trap—the Sachs-versus-Easterly, planners-versus-searchers conundrum. Ultimately, Collier’s approach does not succeed in either remedying the fatal problem with Sachs’ plan or addressing the heart of Easterly’s critique.

Sachs (who is married to a physician) argues for a “clinical economics” that makes a careful, scientific “differential diagnosis” of the traps in which poor people find themselves and then intervenes massively to break all of them: “Do all of it at once,” urges the Millennium Promise Web site. Collier’s response to this is to point out additional traps to which Sachs pays scant attention, such as armed conflict and poor governance. His plan is a new range of treatments for different diseases.

The problem of the bottom billion, however, is not that they live in places where functioning modern economies have become sick and require a doctor. It is that they live in places where there have never been functioning modern economies. Development assistance began as an effort to rebuild Europe after war—indeed a case of helping a sick patient become healthy once again. In countries of the bottom billion, there are not and never have been preexisting healthy economies to which to return. There is, in the medical metaphor, simply no patient. As interesting and correct as it may be to list self-reinforcing “traps” that prevent an absent organism from existing, this exercise tells us

nothing about how to fabricate the body from scratch.

Events of economic conception—growth takeoffs—tend to occur in small enclaves that get things right for extremely complex reasons, never homogeneously across large areas. In countries so small that the enclave was the entire country—Botswana, Hong Kong, Mauritius, Singapore, Taiwan—growth has been astounding. In countries where the national boundaries include places where it happened and places where it did not—Brazil, India—growth has been good. In places where the national boundaries happen to include no place where the right cocktail of factors has come together, there has been little or no growth. All of the bottom-billion countries fall into the last category.

To highlight the problem of economic conception is not, however, to advocate inaction—the principal conclusion many people have taken from the sort of skepticism that Easterly has become known for. Easterly does not recommend inaction at all, and I suspect that many people who ascribe the lesson of *laissez faire* to his writings have not read them. He speaks highly, for example, of conditional cash transfers for education, now embodied in the massive public interventions of Mexico's *Oportunidades* and Brazil's *Bolsa Família*. Crucially, these programs have embodied an interest in continuous exploration, evaluation, and learning from failures. They build long-term constituencies through realistic promises.

Collier himself recognizes that even the finest medicine cannot cause growth where there is none. He makes clear in the heart of his discussion that he understands the limitations of his, or any, plan (although various statements at the start and finish of the book do not reflect this modesty). Each trap guarantees its own persistence, he points out, and the only way out is for an external event to change the dynamic. Most of these arrive rarely and by chance; indeed, Collier pushes for intervention mostly in those few places where luck has already arrived. In recommending that aid for trade stimulus come as “a once-and-for-all big push, country by country,” an easily misinterpreted phrase, he immediately clarifies: “It does not make sense to attempt such an approach everywhere. The landlocked and the resource-rich are likely to be out of the game, and there is little point in spending aid to try to get them into it. And even among the coastal, resource-scarce countries, those with really bad governance and policies may be out of it.”

Listing new treatments for the economic “clinic” does not get us much past Sachs, then, and proposing an omnibus G-8 agenda does not address Easterly's most basic critique: Who will lose their jobs if these things do not work? The right book to overcome this debate would give a large and inspiring catalog of deliberate interventions that have helped at the margins in diverse circumstances, through slowly building mechanisms of communication and accountability.

In the end, intervention is about modestly and cautiously seizing small opportunities, continuously learning to reward success and punish failure, and patience. Many of Collier's 58 countries where the bottom billion live “basically need to be on international welfare for a long time.... For these countries the psychology of aid needs to recognize



that it is not there as a temporary stimulus to development, it is there to bring some minimal decency to standards of living.”

## **WHAT WE CAN DO**

In the Colombian jungle years ago, I wondered what my team of outsiders could accomplish in the context of a complex protracted conflict. Collier essentially urges us to wait for opportunities to nurture the margins of an oasis of peace that has arisen of its own accord. This is more or less what happened in Liberia when a decade and a half of civil war ground to a halt and the dynamic, highly trained governing team of Ellen Johnson-Sirleaf took over last year. Technical and other assistance have poured in, with promising results. In contrast, the United States’ half billion dollars of support for the doltish Samuel Doe in the 1980s did little to reduce poverty and simply set the stage for further conflict in Liberia.

And in that office in Guyana, I pondered what our World Bank team should do in a milieu corrupted by graft and fear. Here, Collier urges us to do what we can to help incubate seedlings that may fortunately spring up from time to time and slowly expand their influence. The European Development Fund now sends about \$10 million a year to Nigeria’s Economic and Financial Crimes Commission, which has successfully prosecuted several high-level officials for brazen stealing. The commission’s head, Mallam Nuhu Ribadu, braves frequent death threats (while balancing his desire to put crooks away with his desire to prevent the commission from being closed by powerful friends of those crooks). His work is demonstrably effective and actively supported from without. Naturally, support for such things must be done with humility and caution: critics have alleged, for example, that Ribadu selectively pursues enemies of his president—charges that, although never proved, cannot be definitively dismissed.

There are many deliberate acts that can help at the margins as an event of economic conception grows into a complex organism. But we are play-acting if we underestimate the magnitude of the challenge by peddling “solutions” of any sort. The combined GDP of the 58 countries of the bottom billion is about \$350 billion per year—smaller than the GDP of metropolitan Chicago. It is not at all clear that every slice of such a tiny pie is viable as a future rich country. And even if we could somehow spark two percent growth across the bottom-billion countries (an epochal achievement in a zero-growth area), two generations from now their collective income per capita would hover around \$3 a day—about the level of Honduras and Sri Lanka today.

Helping the bottom billion will be a very slow job for generations, not the product of media- or summit-friendly plans to end poverty in ten or 20 years. It will require long-term, opportunistic, and humble engagement, much of it through public action—built on a willingness to let ineffective interventions die and on a sophisticated appreciation of the stupendous complexity of functioning economies. The grievous truth is that although a range of public actions can and should help many people, most of the bottom billion will not—and cannot—be freed from poverty in our lifetimes.