

TRANSCRIPT OF DEVELOPMENT DRUMS EPISODE 10 – OXFORD

Host: Owen Barder. Guests: Paul Collier

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Owen Barder

Thanks for downloading Episode 10 of Development Drums, a podcast about development issues and policy. This is Owen Barder in Addis Ababa.

And today I'm really pleased to welcome Paul Collier to Development Drums. Paul is a Professor of Economics at Oxford University. And he is the Director of the Center for the Study of African Economies. He is also one of the small group of celebrity development economists and unusually manages to produce both accessible and policy relevant writing and basing that on rigorous analysis and evidence. Paul, welcome to Development Drums.

Paul Collier

Thanks for inviting me.

Owen Barder

We can talk later about your new book, War, Guns and Votes, which will be published in the UK in March. And the new book set out three specific policy proposals for how the rich countries can reduce conflict and accelerate development. And we'll come on to that later.

But I'd like to set the scene by discussing your earlier book, The Bottom Billion, which was published in 2007. And it's been a hugely influential work, not just among professional economists but also among more mainstream policymakers and thinkers.

I guess one of the important things about this book is that it's short, it's readable, it's accessible to non-economists. Why did you decide to do that?

Paul Collier

Oh, that's simple. I got frustrated with what I call gesture politics, and that is developed country politicians producing policies, which played well in headlines in newspapers, but were ineffective. And I realized that the only way to stop that was if politicians were faced by a more informed electorate, a more informed constituency of opinions. In a democracy there is no substitute for building informed constituency of opinion. And for that you got to reach people and that's what The Bottom Billion has done.

Owen Barder

Has it surprised you how successful it's been?

Paul Collier

Very much so, I mean it's now – in English it's I think sold over 100,000 copies. It's in 14 different languages. But the really satisfying thing is that my hypothesis it turns out have been right, because since writing that book – since governments know that their citizens, a lot of their citizens have read it, governments are paying much more attention to a more sort of serious range of policies than moving beyond gestures.

Owen Barder

So broadly speaking, The Bottom Billion is in three parts. There is a problem statement, a diagnosis and then a set of policy prescriptions. So let's start with the problem statement. Who are The Bottom Billion that you are referring to?



Paul Collier

The Bottom Billion are a group of about 60 countries, which add up to a population of about a billion people. So they're not literally the poorest billion people in the world wherever they might be. People might be poor in America, but they don't count in my bottom billion.

So my bottom billion is a bunch of countries, countries which are now amongst the poorest in the world. Maybe they weren't 40 years ago. But they are distinguished by having missed out on the growth process that most countries, including most developing countries have experienced over the last 40 years.

They missed out on this unprecedented phase of global prosperity. They stagnated where other countries groomed and so they fell behind and a few of them fell apart. So it's that – it's like a characteristic of stagnation, which is in a way the sort of defining feature.

Owen Barder

And what's striking then about these countries that are stagnating and so diverging from the rest of the world is that it doesn't feel as though we can sit back and relax about those and wait for time to enable them to catch up?

Paul Collier

That's right, I think time is not on our side. As they diverge as the gap widens between them and everybody else, in some respects it gets harder for them to break in to the global economy rather than easier.

And so the problem statement in the book is to try and get us to refocus away from this very broad sweep of defining development, which is what the MDGs were doing. So five billion people living in developing countries, one billion people in rich countries, instead I want to just focus on the billion bottom who've diverged from everybody else.

So I characterize the modern world as a sort of one billion, four billion, one billion world, one billion people, the lucky us, four billion people living in countries that have been converging with the billion at the top, converging at amazing rates.

Now there are still a lot of poor people in those countries. But they're living in countries, which offer hope whereas the billion at the bottom are living in countries where there isn't credible hope.

And if you imagine yourself living in one of these countries in the bottom billion, of course you are in one at the moment in Ethiopia, if the history has been of poverty and stagnation, the only way you can go up, is if somebody else goes down.

And so the environment in these countries tends to be pretty confrontational and aggressive because people tend to see life as a zero sum game.

Owen Barder

So one of the things you're saying is that aid agencies should focus on these 58 or 60 countries even though in countries like China and India there are maybe half of the world's 1.5 billion people living on less than \$1.25 a day live in China and India. You're saying that in essence those people are in countries that are going to make it anyway and what aid agencies need to do is refocus on the countries --

Paul Collier

Yes, absolutely

Owen Barder

-- where The Bottom Billion lives.



Paul Collier

Absolutely. And let me just have one remark there, which is that we take this very short term snapshot view of poverty, poverty in this year or just something like that whereas we need to think of poverty in a dynamic sense.

I mean the history of say international migration over the centuries has been people being perfectly prepared to, as it were, to make sacrifices in their own lives if their children can have a better life. That was the history of immigration to North America in the 19th century.

People were willing to live in miserable conditions for the rest of their lives as immigrants in order that their children can have a better chance. And that was a dynamic view of poverty, poverty is, as it were, tolerable if there is credible hope if your children will grow up in a different society.

And that's the case now with China and India where people are very poor. Many people are very poor. But there is a credible prospect that their children will grow up in a transformed society. And the bottom billion are not offering that credible hope. And so the challenge is to provide credible hope in those societies.

Owen Barder

Okay, so that's the problem statement. Let's move on to the diagnosis section. And you make an important point in the book, I think which is that there is no singular explanation for why these countries are diverging from the rest of the world. There are a series of different things that are wrong, and they are different in different countries.

But you gave four examples, four key what you described as traps. And they are traps in the sense that once you are in them it's hard to break out of them. Do you want to tell us about those four traps that the countries in the bottom billion are in?

Paul Collier

Yeah, sure I think the – first of all, I've been a practitioner of development long enough to have seen in the several of the fads and it's a very fad prone area in which at any one time we think there is one big answer to the problem of development but every decade we come up with a different answer. And I think that's because there is no one big answer.

So the four traps that I suggest, which I don't mean are comprehensive, that's it, but I think they are the big four and they are different. So one is the trap of violent conflict; once you are in violent conflict, these violent conflicts which are always internal go on for a long time, they destroy the economy. Even when you get out of them, there is a heightened risk of going back into them.

Second trap is geographic, is being land-locked and resources-scarce and with bad neighbors and if you have that combination, which of course is the case with Ethiopia, land-locked, no valuable natural resources, pretty aggressive neighborhood and impoverished neighborhood, it's very hard, not impossible, but it's very hard to come up with strategies for transformation even to middle income level, let alone to developed level.

The third trap is paradoxically, is the trap of having valuable natural resources under the ground. And why is that a trap? It's because the politics can turn very soar. It becomes a political contest for the control of the resource rents. In extreme, that turns to violence and so it becomes a conflict trap. Well short of that you get a very dysfunctional politics in which politicians are diverting their effort away from supplying the public goods that the country and society needs to contesting control of the loot.

And then the final trap is just having very weak governance in a small typically ethnically divided country. Where it just takes – once you've got into that syndrome it just takes a long time and to get governments improved and policies improved.



Owen Barder

So you've identified these four main traps, the four big ones, conflict, being land-locked with – and a poor neighborhood, the paradoxical one of having access to natural resources, which you would tend to think would be a good thing rather than a bad thing and the problems of poor governance.

And say something about how this creates a trap or a cycle – I think an important compelling part of the story is that these things are difficult to escape without some kind of external assistance.

Paul Collier

Yes, and I think that's why I used the language trap that once you are in them it's – I wouldn't say there is no way out, but it's hard to get out. So for example, with violent conflict the legacy of violent conflict is unfortunately a heightened risk of more violent conflict.

With natural resources rents once you get crooked and dysfunctional politicians leading the country it's very hard to get out of that. The land-locked without valuable natural resources or good neighbors, very obviously that's a highly persistent feature – structural feature of an economy.

And the poor governance in a small country, what we find is that, again statistically, the time taken to internally reform out of that is many decades. And it's not easier if the society is bigger there are scale economies in institutions but if it starts small and badly governed it tends to stay that way.

Owen Barder

Okay. So we've talked about the problem statement, which is that there are about 58 countries containing about a billion people that are diverging from the rest of the world. And about the diagnosis, which is these series of traps. Let's turn to the policy solutions that you recommend in *The Bottom Billion*.

And you are essentially advocating that, without denigrating the aid industry, you are saying that aid alone is probably not the most important thing for these particular countries and these particular problems and that other kinds of intervention are going to be needed if we are going to help these countries lift themselves out of these traps. Do you want to say something about those different kinds of intervention?

Paul Collier

Yes. I mean I'd – if you don't mind I'll pull in something that I put in the next book, which is *Wars, Guns, and Votes* and this took my thinking beyond *The Bottom Billion* but in *Wars, Guns, and Votes* the analogy I use is with how America developed Europe, redeveloped Europe after the Second World War. Because to my mind that's the last time in which a rich region of the world got serious, really serious about developing another region. And we have to go back 60 years before we get policies that were serious.

And then we think, what did America do to redevelop Europe after the Second World War. We know why it got serious. It got serious because there was the Soviet Union hovering on the edge of Western Europe and Europe in the late 1940s was a fragile mess. So we know why America got serious. But now let's look at what did it do?

Yes, it had a big aid program, Marshall Aid. So aid was then was part of the solution. That was a big program. But it was actually a minor part of the solution. What else did America do? Well it totally reversed its trade policy. Before the Second World War America's trade policy had been highly protectionist.

After the Second World War it opens its markets to Europe. It was a strategy for developing Europe and it commits itself to that opening by setting up the General Agreement on Tariffs and Trade, which is now the WTO. So total reversal of trade policy.

What else? Total reversal of American Security Policy. Before the Second World War, American policy was isolationist. After the Second World War it puts over 100,000 troops in Europe, keeps them there for 40 years, locks in to that commitment through the formation of NATO.



So big aid program, total reversal of trade policy, total reversal of security policy, and finally governance, total reversal of American policy towards the governance of other countries. Before the Second World War, absolutely binding policy of non-interference. America won't even join the League of Nations.

After the Second World War, it sets up the United Nations. It sets up International Monetary Fund. It sets up the Organization for Economic Cooperation and Development. It encourages Europe to form European Community. All of these are institutions for the mutual support of governance, especially targeted on improving governance in Europe. So that's the waterfront policies that America used, aid, trade, security, governance.

I think it's still the right waterfront policies. Of course, the details of how we use policies in reversing the divergence of The Bottom Billion are going to be different, and the problems harder, but the range of policies we have to use is still the same.

Owen Barder

So we'll talk – in a second as we talk about your new book about the security and governance agendas, let's just quickly look at the trade agenda as an example of what you are saying in The Bottom Billion. What kind of trade policy do you – I mean particularly given that Doha Round is – seems to be deadlocked? What kind of trade policy do you think the industrialized country should be pursuing?

Paul Collier

Yeah, I think trade policies are good example where ideology has got in the way of sensible pragmatic approach. So on the one hand there are the sort of free trade ideologues who just want to get to global free trade as soon as possible. And on the other – other protectionist ideologues, who believe that the bottom billion should protect themselves, their own domestic markets against global capitalism.

And I think both of those are just deeply misguided. That the bottom billion need to be shoehorned into global markets. And in order for that to happen they need to be protected from those developments where it succeeded and build up strong agglomerations of manufacturing and so they need protection but they need protection in other markets from the big successes like China rather than protection in their own markets. Their own markets are small and stagnant and so don't offer a road to industrialization.

Owen Barder

And the point here is that because there are scale economies in the production of a lot of these manufactured goods that if you're already big and trading in world markets then you have an inherent competitive advantage and anyway the countries in the bottom billion can join in the game as it were as if someone gives them a way to expand and compete and then over time they won't need that preference later on, is that right?

Paul Collier

Absolutely, in fact just yesterday we launched the UNIDO Industrial Development Report, which I wrote is called Breaking In and Moving Up: New industrial challenges for the bottom billion. And that's the argument that in manufacturing there are scale economies that come from clusters.

For example two-thirds of the world's buttons are made in one Chinese town and why have all the firms clustered together because by clustering together, their costs come down. So imagine being the first button manufacturer in Africa. You're going to go bankrupt. And so the clusters never form.

So in order to get over that threshold where the clusters get formed, the countries of the bottom billion need some temporary protection in our markets from these successful agglomerations against which at the moment they can't compete.

Owen Barder

So to some extent the U.S. is already doing this with The Africa Growth and Opportunity Act. Is that the kind of thing that you suggested?



Paul Collier

Yeah. Africa Growth and Opportunity Act has worked. But it's not been enforced for many years but over that period African garments exports to America increased sevenfold. So the devil with these special trade deals privileged access is in the detail. Europe had a scheme called Everything But Arms completely ineffective in encouraging garments exports from Africa to Europe. In fact over that period, garment exports have fallen. And I think the key reason for that was that the rules of origin are very different.

Owen Barder

Those are the – just to explain to people, that means that in order to take advantage of the policy you have to show where all the different components of the thing you are producing have come from. And that's very difficult to --

Paul Collier

That's right. And the European scheme requires that it has a very high element of local content. And Europe is still fixated on the idea of deep vertical integration within a single country whereas modern manufacturing. For the last 25 years it's been moving away from deep vertical integration to what's called trading tasks where a country just adds a rather small percentage of value added and passes it on to another country, which adds another small percentage.

And so potentially trading tasks is very good news for small poor countries to break in. They only have to develop the skills of a single task instead of a whole process. But for that they need generous rules of origin. AGOA gave generous rules of origin to Africa, Everything But Arms didn't. AGOA worked, Everything But Arms failed.

Owen Barder

And so presumably part of the problem here is that the people who work on – you talked about trade, security and governance, the people who have most involved in setting policies in those areas in the rich nations are not people who know much about developing countries or who have much of an interest in them.

Paul Collier

That's right. I mean we just haven't got joined our policy. And we need it, so the development ministries need to rethink of themselves as exactly that, ministries responsible for helping the development process rather than just as aid ministries. And that's starting to happen in response to The Bottom Billion. I was invited over to the Netherlands by the Dutch Government, a meeting chaired by the Deputy Prime Minister who orchestrated all the key ministries and he spent the day just posing the question, well how can we join – how could the Netherlands join up its different policies, its security policy, its trade policy, its aid policy, its approach towards governance. And that's the sort of thing that needs to happen.

Owen Barder

Let's just – before we come on to your new book, Wars, Guns and Votes, let's just pause on aid, and the role of aid. There has been a slew of books recently saying not only that aid doesn't work for various reasons but actually saying that aid does more harm than good that it –particularly that it undermines the accountability and legitimacy of government. As I'm hearing you and as I read your books you are not saying that. You're saying that aid may not be the most important thing in these countries but it can and does play a role that's positive rather than negative. Is that right?

Paul Collier

It is. I think the attention that aid has got both by its advocates and its critics exaggerates its importance. And we need to divert attention to these other areas, trade, governance, security, which I think have so much more potential if only we could get energy put into them.

On aid I think there are issues of accountability and governance. Aid doesn't have to be a force undermining but it can be. And I think aid donors have been rather unanimous in not trying to offset the weakening of accountability that aid can cause with pressure to improve accountability, and the accountability that's important is of course not accountability of governments to the donors. It's



accountability of governments to their own citizens. And so donors have no right in my view to insist on accountability to themselves. But they can have a very important duty to insist on accountability to citizens.

[Music]

Owen Barder

You are listening to Development Drums. And my guest today is Paul Collier, Professor of Economics at Oxford University. Paul, let's turn now to your new book, Wars, Guns and Votes, which is about to be published in the UK.

And let me say first that I really enjoyed the book. Like *The Bottom Billion* it's written for a non-specialist audience. And you've written it very much in the style of a swashbuckling economic researcher investigating the truth about particularly about in this case politics and conflict.

And I guess like *The Bottom Billion*, this book seemed to me to have a problem statement, a diagnosis and a set of policy proposals. And the problem statement I learned a lot from and was rather depressed by and I think it's important to understanding the book to get this on the table.

The evidence that you produce is that in poor countries instead of democracy forcing governments to behave well, to pursue good policies to win votes, that democracy drives governments in the other direction? Is that a correct statement of how you see the problem that you are trying to solve?

Paul Collier

Yes, I mean I don't want to exaggerate and democracy can be a force for good in these societies. So I don't want to be misunderstood there. But I think we've encouraged a very lop-sided form of democracy, basically just elections, elections without any of the supporting institutional infrastructure, which we in the rich countries take for granted and so neglected to attend to and elections minus all the supporting institutional infrastructure doesn't lead to accountability and legitimacy. It can actually undermine and increase proneness to political violence. And I showed unfortunately that seems to be the case.

Owen Barder

So in some ways, this echoes the problem statement in *The Bottom Billion*, which emphasized that – this isn't just a matter of time. I mean I think you say somewhere in the book that you had taken the view as I had that these are long slow processes and I didn't think that there was much that we could do to intervene to accelerate them. But what you're saying as I understand it is that the establishment of democratic and accountable government in these countries isn't just a matter of time. And what you're saying is that these countries are being led up a cul-de-sac and that actually --

Paul Collier

That's absolutely right. I mean it was once I reached that pretty depressing conclusion that I decided to write this book because it's a darker book than *The Bottom Billion* and it's facing what I came to believe was an unpalatable reality. And I only decided to do that once I reached the conclusion that a lot of these countries were in cul-de-sac rather than gradually moving along the path and out of a problem.

Owen Barder

So the diagnosis is summarized at the end that the countries of *The Bottom Billion* are too large to be nations and yet too small to be states, which is a compelling phrase. Tell us what you mean by that.

Paul Collier

Yes, the – too large to be nations because very often in these societies peoples' basic identity is sub-national. It's ethnic rather than seeing themselves as citizens of the country, first and foremost. And when peoples' identity is sub-national rather than national, it's much harder to co-operate to provide the public goods, which any healthy society needs.



Core business of governments is to orchestrate co-operation to provide public goods. And if people don't see themselves as belonging to a common society, all citizens of the same nation then that's very much harder.

Now a few political leaders have managed to forge a sense of national unity but most haven't. Most have tended to play up on ethnic divisions. So over the last forty years these societies become more socially fragmented rather than this.

So that's what I mean by too large to be nations and too small to be states because these societies as economies are absolutely tiny. And we tend to view them by population whether still typically pretty small, but the relevant unit of account for economic activity is the size of the economy. And as economies these places are just tiny.

And why does that matter? Because the provision of a lot of public goods is a scale economies activity, that's what public goods are. And so in tiny societies the cost of providing public goods is very high, relative to what the society can afford. And so public goods are going to be under provided. There are two -

Owen Barder

I was struck by the precision with which you calibrate this. You say that the point at which you're rich enough for democracy to begin to lead to better governance is an annual income of \$2,700 per person per year.

Paul Collier

Look, I don't want to go to the war for that, that's what the statistics tends to come out with is that below that level of income, \$2,700 a year in the last 30 years democracy has tended to be associated with an increase in political violence rather than a decrease whereas over \$2,700 a year, democracy has tended to be associated with reduced violence. So the historical pattern, as it were, reveals that sort of threshold just judged on the criterion of political violence

There are some notable exceptions to that. India, which is well under \$2,700 per year, has managed to develop a well-functioning democracy, which has delivered public goods. And I think one of the reasons for that, why is India an exception is that it's huge. And there are more people in India than in all 53 of the African countries combined and many more people. And so India has scaled in a way that a country of The Bottom Billion doesn't. India is not part of The Bottom Billion.

Owen Barder

So a key part of the public goods that are not being provided in these states, these nations that are too small or too poor to be effective states, is this set of ideas of accountability and legitimacy. And one point that you made which I thought was really interesting that unlike other public goods, these checks and balances, accountability and legitimacy are all ones that the government has no interest whatsoever in providing whereas other kinds of public goods the government might be trying to provide but perhaps be too small or too ineffective or too poor to provide. Checks and balances are a public good that if you don't have them in the first place, no government is going to be interested in putting them in place.

Paul Collier

That's right. I mean that's slightly overstated in that some checks and balances, it makes sense for a far-sighted government to put in place against itself. And that's – for example, the history of the government of the Netherlands, which discovered by putting in checks and balances against itself back in the 17th century, it was able to borrow much more cheaply and that enabled it to win the war against the Habsburg Empire.

So some governments have recognized the need to build checks and balances but mostly checks and balances have come because of pressure from citizens. And one of the things that has provoked pressure from citizens has been taxation. And one of the – of course, one of the reasonable critiques of aid is that by reducing the need for taxation as with natural resources, both aid and natural resources reduce citizen



pressure for accountability. That's why it's legitimate for aid donors to provide a counter pressure for accountability to citizens to try and offset that.

Owen Barder

Although as you said earlier, too often the donors are actually providing accountability to them rather than pressure for accountability to the citizens of the country.

Paul Collier

That's right, they've just got muddled up and they know right to demand accountability to themselves and they have got a duty not as a right but a duty to try and substitute the pressure that reduced taxation implies they need to substitute for that some pressure for accountability to citizens.

Owen Barder

Before we come on to the solutions that you recommend, can you just explain to people listening the idea that democracy actually increases or can in some circumstances increase political violence, because I think some people will find that counterintuitive?

Paul Collier

Yes, I mean I think there're various ways, I mean, statistically this seems to happen, question is why? I think there are various ways, one is that incumbent Presidents who learned how to steal elections, so that they use all sorts of illegitimate tactics, bribery, intimidation, ballot fraud and because of that an election does not establish legitimacy of government and on the contrary people feel cheated.

And the other is that even a small amount of democracy is inconsistent with the time honored, I was going to say time honored, time dishonored way in which autocrats stay in power and that is the preemptive purge and for at least 2000 years autocrats have been staying in power by looking around to see who might potentially cause trouble and jailing them or killing them in advance of them doing anything, so it's preemptive.

And obviously that's sort of preemptive behavior is incompatible with any degree of the rule of law and so even modest degrees of democracy reduce the ability to purge preemptively. And we can show statistically that that is indeed the case, even very limited degrees of democracy radically cut down on purges but that weakens the ability of autocrats to keep the lid on political violence and so the lid gets blown off.

Owen Barder

So let's turn to again the three proposals that Wars, Guns and Votes makes to respond to this cycle of violence from which it's difficult to see these countries escaping. And you use the analogy of a malaria vaccine. It makes perfect sense that international finance and that the global community should invest in the public good of research and development for malaria vaccine. So why shouldn't the international system provide public goods to these states which are too poor or too small to provide them from themselves and in particular various kinds of checks and balances in the democratic process and various kinds of security that could be provided from our side, is that a fair summary of what it is?

Paul Collier

It is indeed, Owen, it's a very fair summary, yeah.

Owen Barder

So you've got three specific proposals, first is a democracy guarantee. So this is your, it sounded to me like the Judo idea where you take a negative energy and you turn it into something useful, you're saying that we should turn the threat of political violence into something useful rather than something destructive. Tell us how that would work?

Paul Collier

I haven't thought of the Judo analogy but you're quite right, that's the idea. The idea is to try and counter presidents using illicit tactics to win elections and of course that's become disturbingly common in a lot of the bottom billion is presidents cheating at elections through intimidation ballot fraud and suchlike. And so



how can that be countered? It's not going to be countered by us flying in and bombing these places; there is no appetite for that very obviously. There's only one force that's incumbent presidents are genuinely scared of and that is their own militaries. And so the idea is to create a sort of red card, green card system for when is it wrong and when is it okay for a country's own military to displace a government, and usually it's wrong so that we would need to hold up the red card. And the idea of a democracy charter is that the government which signed up to the charter would get a commitment from international community to use our best efforts to put down a coup d'état against a democratically elected government.

Owen Barder

So the way this will work is that there would be some kind of democracy standard and a government that said that they were willing to implement that standard and were actually doing so would then have some kind of protection from the international community that would stop them from being displaced by coup?

Paul Collier

That's right and that's a pretty credible arrangement because for example for many years the French were doing it in francophone Africa. It's militarily usually very feasible to see off coup d'état. And indeed once you've got that commitment in place the incidence of coups would go down dramatically, there wouldn't be coups against a democratic government.

Owen Barder

I am kind of surprised you are saying that that would be credible. I mean given that the aid industry has for several decades now made all kinds of threat to withdraw money from developing countries and then usually not followed through, why would – I mean it seems to me much more difficult politically for a government, say the U.K. or France, to send a bunch of troops into a faraway country of which they know little to put down a coup. I'm just wondering how you make that a really credible threat?

Paul Collier

First of all it's a short sharp intervention. It's one action rather than anything sustained, whereas with the aid there's no credibility on aid because there's no continuity in aid policy. So donors typically huff and puff but they don't stick to what they say for more than a month or two.

And in the case of a military intervention to put down a coup d'état, you wouldn't have to stick to it for very long, you just have to do it in the first week. There is a lot of legitimacy to this, for example the African Union routinely condemns coups d'état against democratic governments, it's just that at the moment there's seldom much follow through. And as I say for years the French were following through and it's only in the last decade that they stopped doing so.

Owen Barder

It's really since Chirac, isn't it, that they stopped?

Paul Collier

Yes, that's right, exactly.

Owen Barder

So what about a regional solution to this? Could the Africa Union here in Addis Ababa agree a charter of democracy and then collectively agree to intervene in each others' situations in the event of a coup?

Paul Collier

I think the main problem with that is logistical. That the African Union doesn't have credible logistics to enforce the defense against coups. I think, of course the Chair of the African Union is at the moment, Colonel Gaddafi, which doesn't also inspire that much confidence. So I think the more credible ways of getting military to put down coups is to rely upon some combination of the European Rapid Reaction Force and the new American Force in Africa, AFRICOM and this would be a perfectly legitimate role for them. I don't see how anybody could object to getting a gang of Colonels out of the Presidential office when a democratic government has been thrown out by the military.



Owen Barder

Especially in a situation where that country has, as it were singed up for that protection.

Paul Collier

Exactly, I don't see any issue of legitimacy whatsoever in doing that.

Owen Barder

Let's move on to the second of your policy proposals if we may which is about probity in public spending. And this is an issue dear to my heart. I began in development coming from the British Treasury where I was working on public financial management. So I feel this quite keenly. Your argument is that, that the external donors the industrialized country should be pushing harder to improve public financial management in developing countries both by providing technical assistance and through some kind of governance conditionality that aid wouldn't flow through their system unless their system meets a certain kind of financial management standard. And what struck me about this is that it didn't feel very new to me, I mean, it seems to me that we've been trying to do this for decades and it hasn't worked.

Paul Collier

I think the what is new is the proposal of putting integrity into that effort by an independent verification system which judges whether a country's budget system is sufficiently watertight for budget support to be channeled through it. It's separating out that assessment from the decision whether to put money in, you need an independent, as it were, audit verification system which judges whether the system is robust. You need a technical assistance effort which gets countries up to that standard. And so, there's actually sort of three different decision points there's the verification, is the technical assistance effort and then conditional on those two is putting money through.

And again the key issue here is to see that it's not a matter just of accountability to the British taxpayers. It's a matter of accountability to the citizens of these countries that if that money leaks, it's not that it's wasted, that's the least of the problem. If it leaks, it's captured and it's captured by the very people, who are the problem in those countries and so inadvertently by not enforcing clean governance, you are empowering the very people who are the heart of the governance problem.

Owen Barder

Right, and I think what's attractive about this is the worry not about looking after or safeguarding aid from a particular donor but worrying about how standards of financial accountability for the country as a whole for resources whether from aid or natural resources or from domestic tax revenue are used.

Paul Collier

That's right. That's right. We've been trying to protect our own taxpayers whereas actually we should be trying to protect citizens of the country.

Owen Barder

But if there were an international standard of public finance that governments had to meet, presumably there're a lot of developing governments that would fall short, wouldn't the result be that there'd be almost no government to government aid?

Paul Collier

Well, first of all, Owen, think what you are saying, you're saying that at the moment a lot of governments don't meet anything like our own standards of financial probity and yet we're giving them money. Presumably our own standards of financial probity are not there for decoration, they're there because we've recognized important. So obviously we don't want to introduce a system which pushes governments or countries off a cliff. And so there'd have to be some transitional arrangements and typically what might happen is that if external evaluation verification deem that standards were not adequate what that would then trigger, would not be a cut in aid but the supply of a lot of technical assistance to fix the problem, followed by another verification exercise in three or four years' time to see whether standards were now met. If they weren't met, then again it's not that the money would be denied to the country, it'll be denied to the government as budget support and in other ways in which aid can reach ordinary people.



Owen Barder

And what would those be? So if the government wasn't giving aid through the developing country government what other channels would you be suggesting?

Paul Collier

Well the channel that I propose in the Wars, Guns and Votes is what I call independent service societies which is splitting up the – which I think is a mechanism appropriate for environments where the government is a long, long way short of supplying basic services through conventional means. For example Haiti where I am just off next week, and 90% of basic services are supplied outside the government sector completely. They're supplied by private sector, by NGOs by churches. And what an independent service authority would do would be to channel public money to those suppliers under a standard set as government policy guidelines and with monitoring and evaluation of the suppliers so that they would face yardstick competition against each other. And that would be a mechanism of getting a lot of money because in effect that's a sort of ring-fenced budget support were you build an institution that the donors can trust to channel lot of money through even though the conventional government ministries are not financially fit and proper to take large sums of money.

Owen Barder

You envisage that this would be done with the acquiescence and support of the government of the day? This wouldn't be done as it were despite the government; it would be done with the government?

Paul Collier

It couldn't be done any other way than with the acquiescence of the government but I think you can often get the acquiescence of government. In the Haiti, I've got the Minister of Health told me he was really very keen on the idea. In Britain I've got Oxfam urging me to come up is – let's implement this in DRC because they've recognized at the moment there isn't a way of getting effective service delivery to desperately needy people. So it's something the governments can support it's something that NGOs can support.

Owen Barder

And what do you think the exit strategy would be from this? I mean do you envisage that these would be temporary arrangements and that gradually those would become the Health Ministry or the Education Ministry in the end or do you think these things would continue?

Paul Collier

I don't see any reason why we have to insist that the only long-term model is to build sort of Scandinavia in the 1950s. Everywhere it doesn't have to look like that. There are many different ways of getting an institutional architecture where public money can fund basic service provision. And we just have to stop trying to fit everything into one sort of 1950s framework and recognize that we need to experiment with alternative models some of which maybe much more appropriate to these environments not just in the short term, but in the long term. And of course they'll evolve. There's a lot of institutional variation around the world as where institutions evolve to fit in local circumstances. And so we shouldn't be insisting that they all share this sort of colonial model.

Owen Barder

But this kind of model that you're talking about a linking agency that links the government private sector, civil society that hasn't really been – there isn't really a model for that anywhere, is there? I mean, you are suggesting that we experiment with something that would be new?

Paul Collier

Yes, absolutely and the spirit is one of experiment; it might not work, but we shouldn't pretend that the experiment would have a high cost because in some environments the present model is certainly not working, so let's try something else.



Owen Barder

Okay. So we've talked about the first two of your three policy proposals namely the democracy guarantee firstly and then secondly enforcing probity in public spending. Let's turn now to your third proposal, which is about the international supply of security and your argument is that security is one of those public goods that many nations are too poor to supply adequately and your proposal is partly the donors should impose a kind of a tax on military spending to bring down military spending in a region. Can you explain how that would work?

Paul Collier

Yeah. I mean it's a recognition that security is enormously important. It's absolutely basic public good, without that it's very hard to get development. These societies are sort of structurally insecure quite often and there're various things we can do. Faced with structural insecurity governments do try and spend money on their own militaries. It's not a very good solution to providing security and it has a big down side, which is that neighboring governments then feel threatened and so increase their military spending. There are, as it were, arms races in Lilliput as countries edge up military spending against each other and because of that effect of neighbors being forced to sort of emulate the increase in military spending by one country is a regional public bad and it's a little bit like perpetrating disease or something.

Owen Barder

Right it's a form of pollution.

Paul Collier

Yes pollution. It affects the whole neighborhood badly and we know from standard economics what to do with that, you tax it and you try to discourage it. And so it's in the interest of the whole region to introduce a tax which discourages the public, the regional public bad and so the way to say well above this level a government's free of course to spend whatever it likes on the military but if it does it will pay a penalty in reduced aid and that aid will be redistributed to other countries. So it's not that the region loses at all, it's just that the region is then empowered with an incentive system which lowers overall the level of military spending by discouraging regional public bad.

Owen Barder

And finally you also have a proposal for getting the U.N. Peacebuilding Commission involved especially in post-conflict situations. Can you explain how that would work?

Paul Collier

The role of the Peacebuilding Commission and which is specifically in post-conflicts societies that I suggest is that we need to recognize in post-conflict societies first of all the historical record is dismal. 40% of these societies go back into conflict within a decade. You must be able to do better than that, relatively easily. Why are they so fragile in that first decade, because the successful move to sustain peace depends upon actions by three different players. One is the provision of peacekeeping troops, international peacekeeping troops and I show that there's good evidence I think the peacekeeping troops are pretty effective. But that's a decision typically by the Security Council. Secondly, is a need for big and sustained post-conflict aid. After all, the Marshall Plan redeveloped Europe, there's a need for equivalent big programs of aid in post-conflict reconstruction, but that's a decision by the major donors.

And the third key decision point is the post-conflict government it can either be inclusive or divisive it can be honest or corrupt, whether it's honest and inclusive or divisive and corrupt matters enormously for whether the peace is sustained and so my idea is that these three decisions by the Security Council, by the donors and by the post-conflict government the interdependence and the long-term nature of these decisions should be recognized in mutual commitments. The Security Council should commit for a decade of security, the donor should commit for a decade of aid and the post-conflict government should commit to a decade of inclusion and honesty.

Owen Barder

And how would those mutual commitments be enforced? I am not sure I can envisage the institutional framework within which these....?



Paul Collier

They are self-enforcing once they're mutual, they are self enforcing because the interdependence is explicit. If the Security Council would have pulled out troops unilaterally when they were still needed, the donors and the post-conflict government would be in a position to say, hey this is breaching your commitment, this is letting down a tripartite agreement. If the donors decided that they pull out of lending the money because they were short of money this will be a breach of a commitment. If the post-conflict government decided that it was going to be corrupt this will be a clear breach of a commitment and it could be disciplined by the change in behavior – the change in the commitments of the other two parties. So once you got a set of three commitments they reinforce each other.

Owen Barder

It seems to me that you are trying to find a middle ground between two solutions that many of us find unpalatable, one is a kind of interventionism regime change, which I kind of liberal imperialism that was in Tony Blair's Chicago speech, so that's one extreme. The other extreme is the nonintervention, noninterference, the Westphalian doctrine and what you're trying to do is describe a middle ground that is in which security is provided as a global public good but in a way that is neither – in a way that isn't too interventionist. Is that a fair characterization of your of....?

Paul Collier

I hope it's a fair characterization of all my work both The Bottom Billion and Wars, Guns and Votes are an attempt to build a consensus in middle ground. But they're an attempt to do it by facing reality all too often the middle ground has actually been fragile ground because it's being based on comfortable illusions. For the middle ground to be robust it has to be built on secure facing of realities. In order to change reality we first have to face it.

Owen Barder

And you make a chilling analogy in your book between the situation we faced now and 1919. And in 1919 you observe that the dangers were more first difficult to characterize and we didn't understand them, we didn't face reality and we didn't take them on and the result of course over the following 20 years was a financial crisis and then a major war, which eventually forced the United States as you described earlier to make a set of changes across a range of policies. Now, are you optimistic that this time around if we are in 1919, or perhaps we're in 1929 now with the financial crash coming on around us, do you think that it's going to take another catastrophe before we face these challenges or do you think that we can do it better this time around?

Paul Collier

I'm reasonably optimistic. The main reason is that the cost of getting it right is really no greater than the cost of getting it wrong and in the long term cost of getting it wrong is enormous. The long-term cost of getting it wrong in 1919 was horrendous. We got it right in 1948. It cost but the cost of getting it right in the case of providing hope for the bottom billion is trivial relative to the benefit. There's been to date a failure of understanding rather than a failure to find resources. And so I'm reasonably confident that understanding can be built up and that will be the basis for action it's an alliance between compassion and self interest and which, again I hope is a whole mark of the bottom billion.

Owen Barder

I hope so too. My guest today has been Paul Collier, the author of The Bottom Billion whose new book Wars, Guns and Votes, is published in the U.K. on March 5. Paul thanks for being part of Development Drums.

Paul Collier

Thanks very much. Goodbye.



Owen Barder

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