HOW TO SPEND $50 BILLION TO MAKE THE WORLD A BETTER PLACE

In a world fraught with problems and challenges, we need to gauge how to achieve the greatest good with our money. This unique publication provides a rich set of dialogs examining the most serious challenges facing the world today:

- climate change
- communicable diseases
- conflicts and arms proliferation
- access to education
- governance and corruption
- malnutrition and hunger
- migration
- sanitation and access to clean water
- subsidies and trade barriers.

Each problem is introduced by a world-renowned expert who defines the scale of the problem and examines a range of policy options. Shorter pieces offer alternative positions.

This abridged version of the highly lauded *Global Crises, Global Solutions* provides a serious yet accessible springboard for debate and discussion on the world's most serious problems and what we can do to solve them.

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How to Spend

$50 Billion

to Make the World

a Better Place

Edited by

Bjørn Lomborg

Copenhagen Business School
# Contents

<table>
<thead>
<tr>
<th>Contributors</th>
<th>page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributors</td>
<td>vii</td>
</tr>
<tr>
<td>Introduction</td>
<td>xi</td>
</tr>
<tr>
<td>1 Meeting the Challenge of Global Warming</td>
<td>1</td>
</tr>
<tr>
<td>William R. Cline</td>
<td></td>
</tr>
<tr>
<td>CLIMATE CHANGE – OPPONENTS' VIEWS</td>
<td>14</td>
</tr>
<tr>
<td>2 Communicable Diseases</td>
<td>19</td>
</tr>
<tr>
<td>Anne Mills and Sam Shillcutt</td>
<td></td>
</tr>
<tr>
<td>COMMUNICABLE DISEASES – OPPONENTS' VIEWS</td>
<td>33</td>
</tr>
<tr>
<td>3 The Challenge of Reducing the Global Incidence of Civil War</td>
<td>39</td>
</tr>
<tr>
<td>Paul Collier and Anke Hoeffler</td>
<td></td>
</tr>
<tr>
<td>THE CHALLENGE OF CONFLICTS – OPPONENTS' VIEWS</td>
<td>53</td>
</tr>
<tr>
<td>4 Toward a New Consensus for Addressing the Global Challenge of the Lack of Education</td>
<td>57</td>
</tr>
<tr>
<td>Lant Pritchett</td>
<td></td>
</tr>
<tr>
<td>THE CHALLENGE OF LACK OF EDUCATION – OPPONENTS' VIEWS</td>
<td>71</td>
</tr>
<tr>
<td>Chapter</td>
<td>Title</td>
</tr>
<tr>
<td>---------</td>
<td>-------</td>
</tr>
<tr>
<td>5</td>
<td>The Challenge of Poor Governance and Corruption</td>
</tr>
<tr>
<td></td>
<td>THE CHALLENGE OF POOR GOVERNANCE AND CORRUPTION – OPPONENTS’ VIEWS</td>
</tr>
<tr>
<td>6</td>
<td>Hunger and Malnutrition</td>
</tr>
<tr>
<td></td>
<td>HUNGER AND MALNUTRITION – OPPONENTS’ VIEWS</td>
</tr>
<tr>
<td>7</td>
<td>Population and Migration</td>
</tr>
<tr>
<td></td>
<td>POPULATION: MIGRATION – OPPONENTS’ VIEWS</td>
</tr>
<tr>
<td>8</td>
<td>The Water Challenge</td>
</tr>
<tr>
<td></td>
<td>THE WATER CHALLENGE – OPPONENTS’ VIEWS</td>
</tr>
<tr>
<td>9</td>
<td>Subsidies and Trade Barriers</td>
</tr>
<tr>
<td></td>
<td>SUBSIDIES AND TRADE BARRIERS – OPPONENTS’ VIEWS</td>
</tr>
</tbody>
</table>

Expert Panel Ranking 165
Index 175
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Introduction
What Should We Do First?  

Each day decisions are made about global political priorities. We choose to support some worthy causes while others are disregarded. Unfortunately, political decisions seldom take into account a comprehensive view of the effects and costs of solving one problem in relation to another. Priorities are often set in an obfuscated environment involving the conflicting demands of the media, the people, and politicians. Despite all good intentions, the decision-making process is marred by arbitrary and haphazard methods. The idea behind the Copenhagen Consensus is to render, in the future, this process less arbitrary, because political decisions should not be made arbitrarily, but should be based on facts and knowledge. The result stemming from the Copenhagen Consensus 2004 is very concrete: a ranked list of real challenges, for real people, in the real world.

1 Director, Copenhagen Consensus Center / Copenhagen Business School.
2 Translated by Gitanjali Kapila.
How to Spend $50 Billion to Make the World a Better Place

If we had an extra $50 billion to put to good use, which problems would we solve first? That was the question put to the participants of the Copenhagen Consensus. Using more than 600 pages of scholarly papers as their point of departure, the participants engaged in an intense scholarly discussion that resulted in a set list of priorities regarding the world’s most challenging problems.

This book constitutes a concrete contribution to the debate regarding global priorities – the question of how do we tackle the world’s problems, such as where should we start, and what should be done. The text adumbrates some of the world’s most pressing challenges, what can be done, how much it will cost, and what benefits will result. Armed with the information contained in these articles, readers will be in a better position to participate in the discussion of global priorities – and, in the spirit of the Copenhagen Consensus, to generate their own lists.

The articles stem from the international conference, the Copenhagen Consensus, held in Copenhagen from the 24th to the 28th of May 2004, where 38 economists threw themselves headlong into a debate – one that was both practical and theoretical – on how we can best solve the world’s greatest problems.

The Copenhagen Consensus convened eight distinguished economists, each of whom prepared an economics paper on serious global problems, from hunger and clean drinking water to disease and climate change. These eight researchers came to Copenhagen and presented their results. Additionally, twenty prominent researchers,
engaged to argue against these results, also were in attendance. The expert panel included eight top economists, among them four Nobel laureates, whose task it was to listen to all of the arguments, assess the ten areas of inquiry, and prioritize the solutions. This book contains summaries of the nine scholarly papers and rebuttals, all of which are written in language that is easy to understand.

Why were all the experts economists? Many have questioned this. The goal for the Copenhagen Consensus was to set priorities using the expertise of economists to set economic priorities. It seems clear that climate issues are best assessed by climate experts, and issues relating to malaria are best evaluated by malaria experts. If we asked a malaria expert or a climate expert to prioritize global warming or communicable diseases as the most pressing global concern, it would not be difficult to imagine which issue each would find most important. As such, economists were the featured experts at the Copenhagen Consensus.

The purpose of the Copenhagen Consensus was to build a bridge between the ivory tower of research and the general public. We need the rational calculations of economists in order to understand how we can best realize compassionate solutions that will make for a better world. Research should be utilized. Knowledge should be utilized. These facts were taken very seriously at the Copenhagen Consensus.

The task assigned to the expert panel was not easy. They found that in some areas the information that was available – upon which they were to base their evaluations – was inadequate. This applied to education, armed conflict,
and financial instability. Another important result of the Copenhagen Consensus is that it is clear that there is a need for further research in these areas.

This process is somewhat similar to the one being used by the UN’s Intergovernmental Panel on Climate Change. When the Panel first issued its report on the consequences of discharging greenhouse gases, it was evident that the report lacked critical information. This finding led to new research. When the Panel issued its second and third reports, many of the original lacunas in the first report were addressed. This process resulted in creating a better foundation for the decision-making process.

That the task before us is difficult ought not to deter us from attempting it. That we don’t know everything should not keep us from using what we do know. The material available to the participants of the Copenhagen Consensus indicates that a fairly comprehensive knowledge base exists about a host of issues and their possible solutions.

The top economists who participated in the Copenhagen Consensus exhibited a certain modesty vis-à-vis the difficult task before them. I want to emphasize that the expert panel was not bound in any way. The eight economists made all decisions, of course – and this, in itself, could be considered the crowning achievement of the Copenhagen Consensus. However, what is perhaps most surprising is that they were able to come to a consensus. The eight came to a surprising amount of agreement. The Experts Panel Ranking chapter details the decisions at which the expert panel arrived. And the encouraging news from this unanimous panel is that something can be done – that there are good opportunities
What Should We Do First? xv

for investment to be made to improve conditions for the billions of poor in the world.

The expert panel at the Copenhagen Consensus agreed that first and foremost the world ought to concentrate on controlling HIV/AIDS. At a cost of $27 billion, around 28 million cases of the illness could be prevented by 2010. The benefit-cost ratio is predicted to be 40 times that figure. The HIV/AIDS crisis provides an excellent example of how fighting disease is a good investment.

Malnutrition and hunger are number two on the expert panel’s list. Diseases that are a result of iron-, zinc-, iodine-, and A-vitamin deficiencies can be alleviated with subsidies. The benefits in relation to the cost outlay would be enormous. The expert panel recommends that an investment of $12 billion be made to address this problem. Today more than two billion people are iron-deficient. The importance of alleviating malnutrition and hunger, especially among children, cannot be overestimated.

Trade liberalization is number three on the list. The costs of introducing trade reform would be very modest. The benefits, however, would be enormous, up to $2,400 billion per year.

The elimination of trade barriers does not require a large monetary investment. However, political willingness is of utmost importance. Rich and poor countries alike would benefit from free trade, and greater prosperity means that there will be greater resources to solve more of the world’s serious problems.

Ranked fourth on the expert panel’s list was the control and treatment of malaria. Mosquito nets treated with insect
repellent was proposed as an investment that would yield high returns.

Aside from the treatment of disease, hunger, and free trade, initiatives to ensure clean drinking water and better governance were also high on the list.

The experts have answered the question: If we had an additional $50 billion available to improve the world, where should we invest first? A unanimous panel of top economists recommends that $27 billion be used to fight HIV/AIDS, $12 billion for malnutrition and hunger, that the reduction of trade barriers, whose costs would be modest, be initiated, and that $10 billion be used to fight malaria.

The point of departure for the Copenhagen Consensus is that the world is plagued with a plethora of problems and we don’t have the resources to solve them all here and now. The good news from the expert panel is that appropriate solutions can be found. HIV/AIDS, malnutrition, trade barriers, and malaria are all problems that can be effectively solved.

Topping the list of priorities set by the expert panel are basic problems that affect billions of people worldwide. New technology, economic growth, and development have improved living conditions for many people. Nevertheless, there remains the pressing – and basic – need for an adequate and predictable food supply and the expectation of good health.

So much for challenges that can be solved. Both experts and those with good intentions are quick to agree that solutions should be initiated. Were we not already aware that fighting disease and malnutrition are worthy causes? Who
would disagree? But now, the economists tell us that it is an economically sound idea to invest in the future of humanity. What about the rest of the list? The bad solutions? It is not only difficult to set priorities – it is also unpleasant. The ranking of problems doesn’t only imply that one problem stands at the top, but also that one lies at the bottom. This way of thinking is anathema to many. Shouldn’t we just do everything? Solve hunger, stop climate change, prevent war, etc.? Isn’t it irresponsible to rank one problem above another?

Making choices implies leaving something out. The experts divided their lists into four categories: very good projects; good projects; fair projects; and bad projects. In the bad projects category they placed a proposal regarding migration and one for guest-worker programs for the unskilled. Also, there were three proposals relating to climate change that stood at the bottom. These included the Kyoto Protocol and various proposals regarding the taxation of carbon dioxide discharge.

The experts are not unaware that climate change is important. But, for some of the world’s poorest countries, which will be adversely affected by climate change, problems like HIV/AIDS, hunger, and malaria are more pressing and can be solved with more efficacy. Expert panel member Professor Stokey stressed that climate change is a serious problem, but that the proposals made, including Kyoto, are not very effective. There is a need for more research in this area.

Some critics believe that the methods used by the Copenhagen Consensus were, all in all, much too myopic in
focusing on economic costs and benefits. Yet two other prioritizations made by non-economists seem to support the economists’ choices. First, it is interesting to note that the ranking of issues by the top economists closely resembled the results of 80 young students who were given the same task as the experts. Christian Friis Bach stresses that though the participants of the Youth Forum chose other solutions for the problems cited, the list of priorities they set quite closely resembled the one drafted by the experts. In addition, he describes the way in which the Youth Forum participants often suggested far-sighted solutions, and that these were perhaps better. It is true that the choice lies between clinics and condoms, but the difficult question still remains: Should we save 1,000,000 lives with condoms or 100,000 with a comparable cost outlay for clinics? Second, the Danish newspaper, *Politiken*, also asked a small expert panel in Uganda to prioritize the formidable challenges facing humanity and the result was amazingly similar to the ranking of the economists. Thus, quite a bit of evidence exists that indicates that there is widespread support for the priorities set by the economists.

This fact – that the cold, rational overview of the economists, the enthusiastic discussions of the Copenhagen Youth Forum, and an Ugandan panel – essentially came to the same set of conclusions confirms that disease and hunger are urgent problems.

The Copenhagen Consensus has also been criticized for comparing apples and oranges. How can one set priorities among problems such as hunger and climate change when they are so vastly different in kind? Sure, it’s difficult. But
it is precisely these kinds of decisions that politicians make each day. Priorities are set when the choice is made to build a traffic circle to ensure traffic safety over funding home help for seniors, or between new schools and better hospitals. And the setting of priorities doesn’t disappear if they are not discussed – the decision-making process behind them simply becomes less visible. For this reason the discussion regarding the setting of priorities is relevant.

The Copenhagen Consensus has also been criticized for assuming from the outset that there is not enough money for everything. Will the conclusions reached at the Copenhagen Consensus be leveraged to rationalize budget cuts? It is my belief that we will see the opposite effect. The Copenhagen Consensus will create an increased awareness of the problems we face and thus generate more investment in developing nations. Simply put: We show that money can improve the world.

Some have questioned the whole idea behind the Copenhagen Consensus – the very necessity of creating priorities.

Just think – what if doctors did not perform triage? If doctors working in an emergency room didn’t prioritize the treatment of patients based on the seriousness of their illnesses? What if doctors simply treated those who by chance stood first in line or complained the loudest? A broken arm could be treated before a heart attack. This approach would cost lives and result in a misguided use of resources. As such, it would never be considered. Should we thus consider using this method when considering how to alleviate the problems of the world’s poorest people?
Those who will not acknowledge that resources are limited live in a dream world. At the risk of being offensive, I believe that the world has more need for realists than for dreamers. It’s very easy to want to support all good causes, but in the real world this is just not possible.

Do dreamers – with all their good intentions – have a monopoly on being good? Are the priorities of realists misguided?

Measured by the effect on those who suffer most in the world I am inclined to re-think the relationship between dreamers and the realists. It is unethical not to take into account knowledge that indicates where we can do the most good. The Copenhagen Consensus constitutes the cold, rational approach. Instead of intending to do good, isn’t it better to actually do good?

The Copenhagen Consensus has shown that an informed ranking of priorities is possible, and that economic cost-benefit analyses do not lead to short-sighted solutions or a fixation on money. On the contrary, they lead to a focus on the problems of people living in impoverished conditions.

I’m proud that we have realized the first goal of the Copenhagen Consensus, namely a list of priorities regarding the world’s most challenging problems. Experts have used their knowledge and insight to commit themselves to create a set of concrete solutions. The Copenhagen Consensus has already initiated an important debate on the prioritization of the world’s resources.

The Copenhagen Consensus is conceived as a concrete resource for politicians. But will they use it? My hope has always been that when the list first became available, it
What Should We Do First?

would be impossible to ignore – because it's based on knowledge, and because it's so concrete.

But the Copenhagen Consensus shouldn't only concern politicians. It's important that the rest of us also become involved in the discussion of priorities, that we consider the facts, and that we face the difficult but inevitable task of having to choose among a long list of important issues. This book offers readers the opportunity to exploit the best research in order to improve the debate, to come up with their own informed lists. The next goal for the Copenhagen Consensus is to involve both academics and politicians in the debate. I hope very much that each of you will participate in this absolutely necessary discussion about global priorities – namely, what we should do first.