Bottom Billion

By Ben Lewis

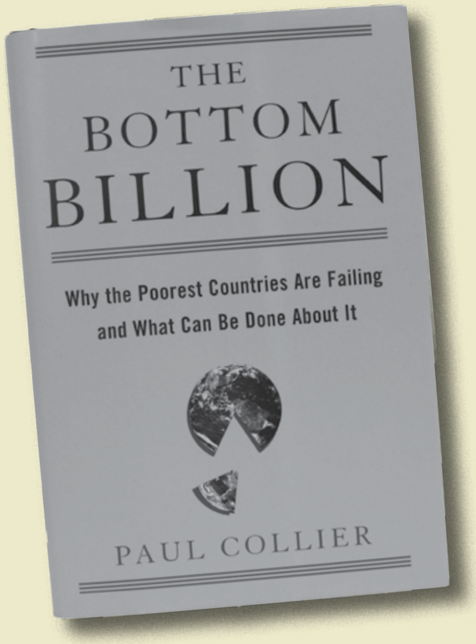
The traditional view of global poverty assumes that there are one billion people living in rich countries with the remaining five billion residing in the developing world. And yet as the world becomes more globalized, many of the bottom five billion are beginning to climb the economic ladder and are escaping the generational cycle of poverty. Various countries, such as China and India, have seen unprecedented levels of economic growth coupled with rapidly declining poverty rates. But as these countries continue to grow, it becomes increasingly apparent that others are falling behind.

Paul Collier, former research director for the World Bank and current director of the Center for the Study of African Economies at Oxford University, has spent his life working to alleviate global poverty. With more than thirty years of development experience, Collier is indeed in tune with the needs of the poor. More importantly, the arguments in his book, *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It*, are not mere opinions but rather empirically based conclusions that stem from his exhaustive list of peer-reviewed research.

In the first section, Collier declares that the real challenge of poverty elimination is that a group of countries are caught in a development trap and are consequently falling behind and falling apart. According to his definition, approximately one billion people—the bottom billion—are living in these countries. A closer analysis reveals that the economic growth of the bottom billion has actually declined since the 1970s. He believes that the reason they have not grown is because they have fallen into one or more of the following four traps: (1) conflict, (2) natural resources, (3) geography, and (4) poor governance.

Although all societies have conflict, Collier's first identified development trap is internal violence. Collier and his colleagues have identified three causes that lead to civil war: low initial levels of income, slow growth or stagnation, and dependence on natural resource commodities. The first two causes, low income and slow growth, lead to poverty and hopelessness. Consequently, many young men may join a rebel movement, preferring life as a solider with a small chance of riches to a life of despair with little or no opportunities to succeed. On average, a typical civil war in a developing country will last seven years. With the cost of war averaging US$64 billion annually, it becomes clear why patterns of war and violence can impede the economic growth of a country.

Empirical research also shows that countries with high proportions of natural resource revenues tend to grow slower than other countries that have diversified exports. This "resource curse," also known as Dutch disease, occurs when resource exports cause a country's currency to rise in value against other currencies, thus making the country's other export activities uncompetitive. Collier also proposes that resource revenues distort



democracy by altering elections through patronage politics, reducing the need to tax, and eroding the system of checks and balances. The most drastic consequence of the natural resource trap is that resource-rich nations tend to either under-invest or invest poorly, choosing to expand production of the resource at the expense of other national needs.

Perhaps the most unfortunate of the four traps, the geography of a nation has a significant impact on that nation's overall capacity to grow and expand. Many empirical studies show that countries that are landlocked and/or are surrounded by other poor countries tend to grow slower because the economic success of a country depends on the infrastructure and economic performance of its neighbors. Not only do these neighboring countries act as transport corridors for exports, but they also serve as markets for a poor country's goods and services. Collier notes that this is why Switzerland and Botswana, two landlocked countries, have had relative economic success. Switzerland can sell its products to Germany and use its ports for exports. The same holds true for Botswana and South Africa.

Collier's last identified development trap is poor governance. Excellent governance can lead to economic growth when opportunities for growth exist. Poor governance, however, can quickly lead to economic destruction that can take years to rebuild. Collier believes that poor governance and corruption persist because there is no incentive to change—the corrupt politicians and bureaucrats are the ones who benefit from poor economic policy. The lack of education also makes replacing corrupt leaders an extremely arduous task. Consequently, many of these poor countries will continue to struggle economically unless this cycle can be broken.

All people living in the bottom billion have been caught in one or more of these traps: 73 percent have been through civil war, 29 percent live in countries where politics are dominated by natural resource revenues, 30 percent are landlocked and/or are surrounded by poor countries, and 76 percent have suffered from the consequences of poor governance. These traps, fortunately, are not permanent. By leveraging their strong points, such as low wages and high labor supply, many developing countries have been able to actively participate and benefit from globalization to escape these poverty traps.

However, Collier believes that the world's poorest countries may have missed the boat. In line with

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his empirical research, he theorizes that despite having low wages, the bottom billion cannot at this time compete with China and other Asian manufacturing centers due to the economies of scale associated with industry agglomeration. Of course, in time the chance will return—the bottom billion will have an opportunity to actively compete in these markets. But according to Collier, this event will not occur until the wage gap between Asia and the bottom billion is sufficiently high to overcome the economies of scale enjoyed by high- and middle-income countries. Although it may be years before that wage gap is large enough, it is clear that once a country can overcome this threshold, the benefits will include profits for firms, job creation for the unemployed, and higher wages for the poor, ultimately leading to economic growth and security for those who have never had an opportunity to succeed.

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In the fourth section, Collier introduces several policy instruments that can be used to address the problems of the bottom billion. Although he is somewhat skeptical of its current politicized image, Collier first proposes that foreign aid be directed toward coastal countries in order to finance a big push for industrialization and infrastructure development, remembering that such actions benefit not only the recipients of aid but also the landlocked countries that rely on their neighbors for marketing and exporting. Second, Collier cautiously supports the notion of military intervention as a necessary step to break the cycles of civil war and violence that are so often present in poor countries. Third, he suggests that international laws and norms be established that benefit the bottom billion and align the incentives of all nations with the goals of global poverty eradication. Finally, he proposes that trade reforms be made in favor of the bottom billion so that they might be able to compete in the global marketplace.

Collier concludes with an agenda of action specifically directed toward the G8, an international forum for the world's largest industrialized democracies, and with three propositions that ordinary citizens might undertake to reverse the diverging trend of the bottom billion: (1) focus our efforts on the bottom billion, those who are trapped and are diverging from the rest of the globalized world; (2) understand that despite our best efforts, true change must come from within; and (3) commit ourselves to actively and intelligently participate in our quest to eliminate global poverty.

Whether or not you agree with Collier's arguments, there is no doubt that his ideas and theories are supported by comprehensive research. Unfortunately, without a basic understanding of economics, readers may have some trouble understanding the technical jargon. Others may find it somewhat presumptuous that the arguments and ideas are largely based on his own research, and some may find it too academic.

I found Collier's ideas and theories to be insightful and refreshing. As an intern in Kenya and Mozambique, I have seen firsthand the problems and struggles of the bottom billion. The plight of the poor is real, and the road to economic freedom is long and ridden with obstacles. Although he may not have all the answers, Collier's solutions provide a systematic approach to global poverty eradication that can equalize the global standard of living and free the bottom billion from development traps—a truly desirable aim. ESR

ABOUT THE REVIEWER

Ben Lewis became interested in development work while serving a mission for The Church of Jesus Christ of Latter-day Saints in Brazil. After that time, he spent two summers in Mozambique and Kenya as an intern for Care for Life and Coast Coconut Farms. Lewis completed his undergraduate work in accounting and economics and his graduate work in accounting in August 2008 at Brigham Young University. Lewis is a doctorate student at Cornell University in business management.