Review of Paul Collier's *The Bottom Billion*

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In a world of plenty, why are so many countries so poor? In his book *The Bottom Billion: Why the poorest countries are failing and what can be done about it*, Paul Collier uses his long record of academic research to address one of the great challenges of our time. His answer is rich and detailed, most of it convincing, and his proposals are at the least thought provoking.

Collier divides the world into three groups: an affluent one billion at the top, four billion who live in developing countries that have experienced at least respectable rates of growth in the last few decades, and the eponymous "bottom billion," living in desperately poor countries – the majority in Africa – that arrived at the new millennium poorer than they were in 1970.

This is not, however, a book about global poverty, and in this sense the title is misleading. The "bottom billion" are not the poorest billion people in the world but the citizens of the poorest and most stagnant *countries* in the world. India is not one of Collier's bottom billion countries and thus he ignores the fact that there are more people living below the international $1-a-day poverty line in India alone than in the whole of Africa, or that during twenty five years of rapid growth in India the number of poor there did not decrease at all. Addressing this disconnection between growth and poverty reduction requires addressing inequality, a topic that receives very little attention in this book.

Collier identifies four traps that, he believes, explain the performance of the bottom billion: the "conflict trap," the "natural resources trap," the trap of being "landlocked with bad neighbours," and the trap of "bad governance in a small country."

Conflict is a trap because it both causes and is caused by bad economic outcomes. Conflict has economic costs in addition to human costs, reducing growth and income levels. But slow growth and low levels of income increase the risk of conflict, creating a vicious cycle.

Having abundant natural resources also, ironically, tends to lead to slow growth, a phenomenon known in the development literature as the "resource curse." The resource curse operates through a number of channels, including the difficulty of managing highly volatile government revenues, and the negative impact that natural resource exports have on competitiveness in other tradable sectors. But natural resources also influence the economy through non-economic channels. In addition to corruption, natural resources increase the risk of conflict—resource revenues represent a big prize for belligerents—and in the absence of strong checks on government, they can lead to patronage politics, in which politicians use public money to pay off their supporters rather than provide public goods and services necessary for growth.

Being landlocked need not be a trap, as demonstrated by Switzerland, but Collier points out that being landlocked and surrounded by poor, underdeveloped countries can be. Bad governance is a disadvantage in any country but is worse for countries with few obvious opportunities for entry into the global economy, and Collier finds that small, poor and less educated countries are less likely to escape from bad governance.

All of the countries of the "bottom billion" lie in one or more of these four traps. But in the middle of the twentieth century the majority of humanity lived in terrible poverty. So how have the middle four billion, dominated by China and India, managed to grow so rapidly in recent decades? Collier attributes their performance to the successful export of manufactures. In addition to investment and education, efficient manufacturing requires competition and economies of scale, and for countries with relatively small economies exporting into global markets is the only way to achieve either.

Labour in these countries was far less productive than labour in the industrialized countries, and also faced trade barriers in the rich world. But during the 1980s the wage gap between rich and poor had got so large that their low wages more than made up for their low productivity, allowing them to out-compete developed country production. The problem for the bottom billion countries is that the low-productivity, low-wage niche is now full. And until wages start to rise faster than productivity in China, there is no prospect for the very low productivity countries of the bottom billion to compete.

While Collier's emphasis on trade may be exaggerated—India, for example, improved its growth rate a full decade before opening to international trade in 1991—he is not a whole-hearted cheerleader of "globalization." He stresses that exporting primary commodities typically creates few jobs, the benefits primarily going to a small number of landowners or resource owners. It is manufacturing that creates demand for labour, thereby pushing up wages.

Numerous anecdotes illustrate how incompetent or self-interested governments and other domestic actors within the poorest countries have prevented them from breaking into global markets. Collier stresses that "*we* cannot rescue *them*. The societies of the bottom billion can only be rescued from within." But he also observes that rich countries allow illegitimate dictators to hide their money in our banks, that until recently we provided tax breaks to companies offering bribes to officials in poor countries, and that our trade barriers constrain their development. Stopping these practices would not be difficult if there were political will.

Yet when he states that "citizens of the rich world are not to blame for most of the problems of the bottom billion," Collier omits an important argument made by the political theorist Thomas Pogge. When a dictator takes over a country by illegal force, the rules of global trade, as determined by the rich world, automatically hand to that dictator legal property rights over the country's resources. Our oil companies do deals with vicious dictators in order to give us access to "their" ill-gotten oil. The Kimberley process has restrained this practice with "conflict diamonds," but it remains in place for other resources. Changing these rules would be extremely difficult both politically and practically—how do we decide which governments have legitimate property rights? But it is one of the root causes of "the problems of the bottom billion."

So what is to be done? Collier advocates targeted reduction of trade barriers on exports from bottom billion countries. He also supports international charters and norms, such as the Extractive Industries Transparency Initiative, that may mitigate the resource curse or may help post-conflict societies to find a path to stability and democracy. His view of aid is that it can help but is often managed badly, and that we can make it more effective.

Collier's most controversial proposal is the use of military intervention to reduce conflict and guarantee democracy. His model is the successful intervention in Sierra Leone in which a few hundred British troops, invited in by the government, helped to subdue a rebel army. Examples in which a similar small intervention could have helped but did not materialize include Faure Gnassingbé's dictatorship in Togo. The genocide in Rwanda, and the ongoing tragedy in Darfur, also offer pressing cases for intervention.

He admits that the tragedy in Iraq will make it hard to convince the public of the benefits of intervention. But he glosses over the basis for scepticism: that Iraq and, indeed, Afghanistan, demonstrate that our governments make disastrous foreign policy decisions. The invasion of Iraq was probably based on material interests and a drive for power in the region. But even if it was based on a real belief that Iraq was a threat to peace, the operation was incompetent, resulting in disaster and tragedy. In theory there may be great potential for military intervention to improve the lot of the bottom billion. It is more doubtful that it would do so in practice.

The book is highly readable—as Collier says, "it is written to be read"—yet there is tension between the popular style and the repeated assertion that its claims rest on statistical evidence in "technical papers published in professional journals." He claims scholarly authority but then makes the implausibly bald statement that the typical cost of a civil war is "around $64 billion," with no qualifications. He also places too much confidence in simple correlations across countries, weaving elaborate causal stories from data that cannot support such detailed assertions. Any empirical economist knows that it is not difficult to produce widely varying findings from the same data (and papers with contradictory views are frequently published in peer-reviewed journals). This does not mean that his arguments are wrong. But the non-economist reading this book should take Collier's statistical defence with a pinch of salt.

The Bottom Billion is a fascinating and enjoyable book full of illuminating stories of the hurdles to development. It does not provide an analysis of global poverty and fails to address the plight of the very poor who live in moderately poor countries. But the reader will come away with a better understanding of underdevelopment, and the importance, and difficulty, of confronting it.

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