Copenhagen Consensus

Economics and Global Governance
Global Governance

• Lots of problems, lack of institutions
• Adil Najam defines global governance as
  • “the management of global processes in the absence of global government”
• Normally institutions
  • But these are hard to reshape or construct anew
• An economic alternative to achieve better global governance
The global governance problem

- There are lots of problems
  - Poverty
  - Health
  - Education
  - Peace
  - Air pollution
  - Global warming
  - ...

- And each of these has lots of proposed solutions
The global governance problem

Like choosing between different options at a supermarket

- Different varieties and packaging
  - Some food is very nutritious
    - Others just look delicious or are advertised on TV
- But what’s the price?
- Who pays?
- Who decides?
An economist’s approach to the problem

- Comparing prices and sizes
- Allowing to fit a budget with best value for money
The global governance problem

- Water
  - Price: $1.2tr
  - Benefit: $4tr
  - BCR: 3

- Peacekeeping
  - Price: $11b
  - Benefit: $122b
  - BCR: 5

- Education
  - Price: $11b
  - Benefit: $122b
  - BCR: 18

- Agriculture
  - Price: $11b
  - Benefit: $122b
  - BCR: 11

- Malaria
  - Price: $3b
  - Benefit: $72b
  - BCR: 35

- HIV
  - Price: $11b
  - Benefit: $122b
  - BCR: 11

- Deworming
  - Price: $11b
  - Benefit: $122b
  - BCR: 18
Economic rationality

- We will provide
  - Clearly labeled and comparable prices and sizes
    - This acknowledges budget constraints
    - This will make the management of global processes without global government easier
Economic governance for post-2015

• We’re working with 100+ of the world’s top economists
  • Within all 12 areas from the High Level Panel
  • Outlining 50+ targets for consideration
    • We will estimate the cost and benefit of each target
  • Makes it harder to say “let’s do it all”
  • Gives headwind to poor targets and tailwind to good targets
Example of setting development priorities

• Let me show you
  • *Purely* academic exercise
Education

• We’ve actually achieved to get most kids in school
  • 1960: 41% not in school
  • Today: 10% not in school

• Next step is improving quality
  • The problem is we don’t know how
  • Let me show you two solutions
Education

- Conditional Cash Transfers
  - Give poor families cash for sending kids to school
  - We know it works
    - Increase attendance significantly (from 67% to 75%)
    - Have other benefits like better health
- Cost: $1 billion
- Benefit: $5.2 billion
- Benefit-cost ratio: 5.2
Education

• Achieve better education through nutrition
  • It doesn’t require reforming the school
  • We know it works
  • Has lots of other health and moral benefits
Education: nutrition

- Reduce chronic undernutrition in pre-schoolers
  - Community based nutrition ($7.5)
  - Vitamin A supplementation ($4.8)
  - Therapeutic zinc ($4)
  - Deworming ($1)
  - Iron for mothers & iron fortification ($2.8)
  - Salt iodization ($0.2)
  - Provide complimentary foods ($56.88)
  - Acute malnutrition treatment ($8.13)

- Total cost $96/child for first two years
Education: nutrition

- Costs
  - $3bn/yr

- Benefits
  - Guatemala
  - Stunting results in 66% wage reduction
  - Can avoid 36% stunting for 31m kids/yr
  - Benefits: $177 billion
  - Benefit-Cost ratio: 59
Prioritize

• Now is your time to decide, which of these *two* interventions should come first if money is limited?
Diseases: Malaria

- Malaria
  - 216m cases/year
  - 600,000 deaths/year
  - Rapid spread of resistance to
    - chloroquine and sulfadoxine-pyrimethamine (SP)
  - Artemisinin works
    - But often used alone
    - Affordable Medicines Facility
      - Subsidize artemisinin combination drugs
Diseases

- Malaria drugs
  - Costs: $300 million/yr
  - Benefits: 300,000 avoided deaths/yr (10.5m DALY)
  - Benefit-cost ratio: 35
Prioritize

Now is your time to decide the priority order of these *three* interventions, given money is limited.
An economic approach to Global Governance

• Imagine if we had the costs and benefits on all the main goals and targets for post-2015
  • Imagine doing this informal, academic exercise for missions, development agencies, NGOs and general populations
  • We’d see a lot of agreement on some of the top goals and some of the bottom goals
• And in that way, economics can contribute to a global governance
Read more about the project:

www.copenhagenconsensus.com

www.slate.com/articles/technology/copenhagen_consensus_2012.html