

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

SUPERMARKET

- 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?

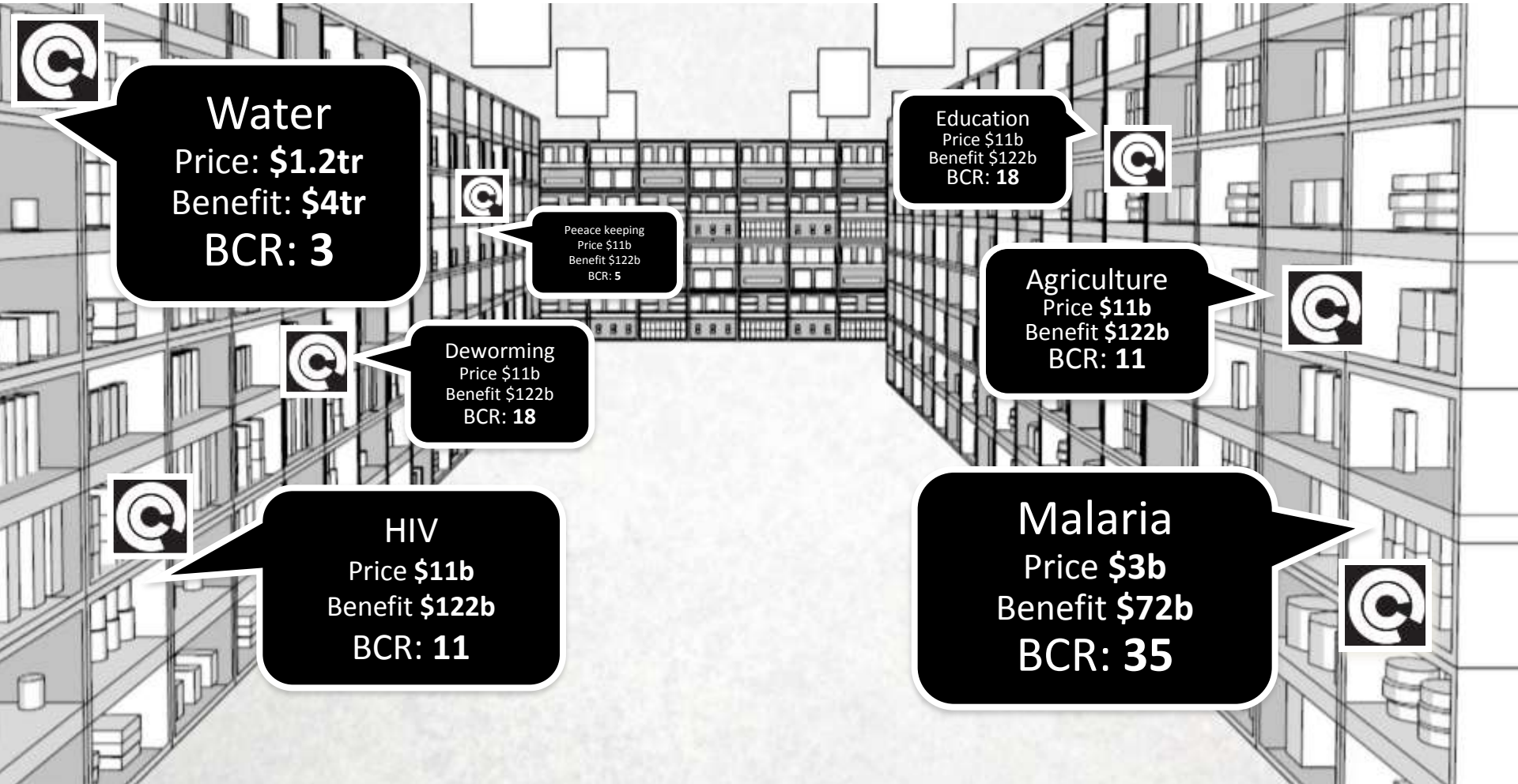
- Who pays?

- Who decides?

The global governance problem

- 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



Economic rationality

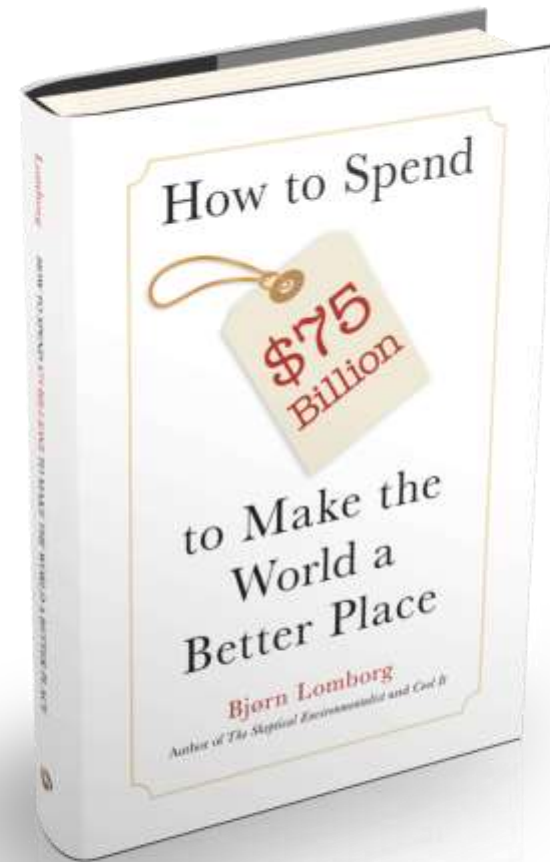
- We will provide
 - **Clearly labeled and comparable prices and sizes**
 - This acknowledges budget constraints
 - This will make the management of global processes without global government easier

Economic governance for post-2015

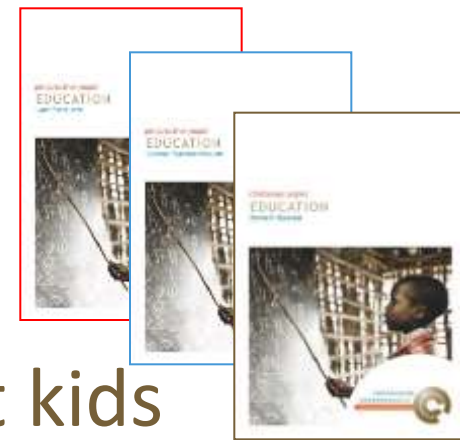
- We're working with 100+ of the world's top economists
 - **Within all 12 areas from the High Level Panel**
 - **Outlining 50+ targets for consideration**
 - We will estimate the **cost** and **benefit** of each target
 - **Makes it harder to say “let's do it all”**
 - **Gives *headwind* to poor targets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

