

Copenhagen Consensus: The Results

The goal of the Copenhagen Consensus project was to set priorities among a series of proposals for confronting ten great global challenges. These challenges, selected from a wider set of issues identified by the United Nations, are: civil conflicts; climate change; communicable diseases; education; financial stability; governance; hunger and malnutrition; migration; trade reform; and water and sanitation.

A panel of economic experts, comprising eight of the world's most distinguished economists, was invited to consider these issues. The members were Jagdish Bhagwati of Columbia University, Robert Fogel of the University of Chicago (Nobel laureate), Bruno Frey of the University of Zurich, Justin Yifu Lin of Peking University, Douglass North of Washington University in St Louis (Nobel laureate), Thomas Schelling of the University of Maryland, Vernon Smith of George Mason University (Nobel laureate), and Nancy Stokey of the University of Chicago.

The panel was asked to address the ten challenge areas and to answer the question, "What would be the best ways of advancing global welfare, and particularly the welfare of developing countries, supposing that an additional \$50 billion of resources were at governments' disposal?" Ten challenge papers, commissioned from acknowledged authorities in each area of policy, set out more than 30 proposals for the panel's consideration. During this week's conference the panel examined these proposals in detail. Each paper was discussed at length with its principal author and with two other specialists who had been commissioned to write critical appraisals, and then the experts met in private session. The panel then ranked the proposals, in descending order of desirability, as follows:

Project rating	Challenge	Opportunity
Very Good	1 Diseases	Control of HIV/AIDS
	2 Malnutrition	Providing micro nutrients
	3 Subsidies and Trade	Trade liberalisation
	4 Diseases	Control of malaria
Good	5 Malnutrition	Development of new agricultural technologies
	6 Sanitation & Water	Small-scale water technology for livelihoods
	7 Sanitation & Water	Community-managed water supply and sanitation
	8 Sanitation & Water	Research on water productivity in food production
	9 Government	Lowering the cost of starting a new business
Fair	10 Migration	Lowering barriers to migration for skilled workers
	11 Malnutrition	Improving infant and child nutrition
	12 Malnutrition	Reducing the prevalence of low birth weight
	13 Diseases	Scaled-up basic health services
Bad	14 Migration	Guest worker programmes for the unskilled
	15 Climate	Optimal carbon tax
	16 Climate	The Kyoto Protocol
	17 Climate	Value-at-risk carbon tax

Note to table: Some of the proposals were not ranked (see text below)

In ordering the proposals, the panel was guided predominantly by consideration of economic costs and benefits. The panel acknowledged the difficulties that cost-benefit analysis must overcome, both in principle and as a practical matter, but agreed that the cost-benefit approach was an indispensable organising method. In setting priorities, the panel took account of the strengths and weaknesses of the specific cost-benefit appraisals under review, and gave weight both to the institutional

preconditions for success and to the demands of ethical or humanitarian urgency. As a general matter, the panel noted that higher standards of governance and improvements in the institutions required to support development in the world's poor countries are of paramount importance.

Some of the proposals (for instance, the lowering of barriers to trade or migration) face political resistance. Overcoming such resistance can be regarded as a "cost" of implementation. The panel took the view that such political costs should be excluded from their calculations: they concerned themselves only with those economic costs of delivery, including the costs of specific supporting institutional reforms, that would be faced once the political decision to proceed had been taken.

For some of the proposals, the panel found that information was too sparse to allow a judgement to be made. These proposals, some of which may prove after further study to be valuable, were therefore excluded from the ranking.

Each expert assigned his or her own ranking to the proposals. The individual rankings, together with commentaries prepared by each expert, will be published in due course. (The challenge papers and other material have already been placed in the public domain.) The panel's ranking was calculated by taking the median of individual rankings. The panel jointly endorses the median ordering shown above as representing their agreed view.

The panel assigned the highest priority to new measures to prevent the spread of **HIV/AIDS**. Spending assigned to this purpose would yield extraordinarily high benefits, averting nearly 30m new infections by 2010. Costs are substantial, estimated at \$27 billion. Even so, these costs are small in relation to what stands to be gained. Moreover, the scale and urgency of the problem—especially in Africa, where AIDS threatens the collapse of entire societies—are extreme.

Policies to attack **hunger and malnutrition** followed close behind. Reducing the prevalence of iron-deficiency anaemia by means of food supplements, in particular, has an exceptionally high ratio of benefits to costs; of the three proposals considered under this heading, this was ranked highest at \$12 billion. The expert panel ranked a second proposal, to increase spending on research into new agricultural technologies appropriate for poor countries, at number five. Further proposals, for additional spending on infant and child nutrition, and on reducing the prevalence of low birth-weight, were ranked eleventh and twelfth, respectively.

The panel considered three main proposals for global **trade reform**: first, multilateral and unilateral reduction of tariffs and non-tariff barriers, together with the elimination of agricultural subsidies; second, extension of regional trade agreements; third, adoption of the "Everything But Arms (EBA)" proposal for non-reciprocal lowering of rich-country tariffs on exports from the least developed countries. In the case of trade reform, lives are not directly and immediately at risk. However, the first proposal—free trade—was agreed to yield exceptionally large benefits, in relation to comparatively modest adjustment costs, both for the world as a whole and for the developing countries. Accordingly it was ranked third. (Some members of the panel argued that since this proposal need not involve any budgetary outlays, it should be acted upon in any case, regardless of the resources available for additional budget outlays.) The proposal to extend regional FTAs was not ranked, for lack of information on particular agreements. The proposal for non-reciprocal lowering of barriers to exports of the least developed countries was also not ranked, with some members of the panel noting that this proposal would harm many poor countries not

participating in the arrangements, while encouraging those that did participate to invest in activities that are not internationally competitive.

New measures for the control and treatment of **malaria** were jointly ranked fourth. At \$13 billion in costs, the ratio of benefits to costs was somewhat lower than for the proposals on HIV/AIDS and hunger and malnutrition, but still extremely high by the ordinary standards of project appraisal. This is especially so for the provision of chemically-treated bednets. Again, the scale and urgency of the problem are very great.

The panel agreed with the challenge paper on **water and sanitation** that lack of safe and affordable access to these services is a great burden for more than a billion of the world's poorest people. Almost half of the people living in developing countries suffer at any given time from one or more water-borne diseases. Three proposals, including small-scale water technology for livelihoods, were regarded as likely to be highly cost-effective, and were placed sixth, seventh and eighth in the panel's ranking.

The experts considered five proposals for improving **governance** in developing countries. While agreeing, as already noted, that better governance is very often a precondition for progress of any kind, the panel thought it inappropriate to include four of these proposals in their ranking. This is because these reforms involve costs of implementation that will differ greatly according to each country's particular institutional circumstances. The experts felt they had too little specific information to make a judgement about what those costs might be. The panel did however express its support for the proposal to reduce the state-imposed costs of starting a new business, on the grounds that this policy would be not only enormously beneficial but also relatively straightforward to introduce. This proposal was placed ninth in the ranking.

Policies to liberalise international **migration** were regarded as a desirable way to promote global welfare and to provide economic opportunities to people in developing countries. A lowering of barriers to the migration of skilled workers was recommended, and ranked tenth. Guest-worker programmes, of the sort common in Europe, were not recommended, owing to their tendency to discourage the assimilation of migrants.

The panel looked at three proposals, including the Kyoto Protocol, for dealing with **climate change** by reducing emissions of carbon. The expert panel regarded all three proposals as having costs that were likely to exceed the benefits. The panel recognised that global warming must be addressed, but agreed that approaches based on too abrupt a shift toward lower emissions of carbon are needlessly expensive. The experts expressed an interest in an alternative, proposed in one of the opponent papers, that envisaged a carbon tax much lower in the first years of implementation than the figures called for in the challenge paper, rising gradually in later years. Such a proposal however was not examined in detail in the presentations put to the panel, and so was not ranked. The panel urged increased funding for research into more affordable carbon-abatement technologies.

The panel considered proposals to improve the provision of **education** in developing countries. It agreed that in countries where spending on education is at present very low the *potential* exists for large benefits in return for modestly increased spending. However, the institutional preconditions for success are demanding and vary from case to case. Experience suggests that it is easy to waste large sums on education initiatives. Given this variety of circumstances and constraints, the panel chose not to

rank any proposals in this area. However, the experts did endorse the view that externally supervised examinations improve accountability of schools and should be promoted. They also expressed an interest in schemes to reduce, in a targeted way, the fees charged in many developing countries for public education, and to pay grants to families which send their children to school. More research on experience with such schemes is needed.

In considering a series of proposals for reducing the incidence of **civil wars**, the panel unanimously agreed with the challenge paper's assessment that the human and economic costs of such conflicts are enormous—even larger, in fact, than is generally assumed. Measures to reduce the number, duration or severity of civil wars would stand very high in the ordering, if they could be expected with any confidence to succeed. Members of the panel were unpersuaded that the proposals put before them met that test. The panel noted the strong *prima facie* case for additional financial support for regional peacekeeping forces in post-conflict countries which meet certain criteria, but felt that the information before them was insufficient for them to assign a ranking. The experts also noted the evidence that growth in incomes reduces the long-term incidence of civil war; to the extent that their highest-ranked proposals raise incomes, they will have the additional benefit of reducing the incidence of conflict.

Four proposals before the panel addressed the issue of international **financial stability**. The panel, noting the complexities and uncertainties in this area, chose not to come to a view about which, if any, of these proposals to recommend. They were therefore not ranked.