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The Bottom Billion

Why the Poorest Countries Are Failing and What Can Be Done About It

Paul Collier

The third world has shrunk. For forty years the development challenge has been a rich world of one billion people facing a poor world of five billion people. The Millennium Development Goals established by the United Nations, which are designed to track development progress through 2015, encapsulate this thinking. By 2015, however, it will be apparent that this way of conceptualizing development has become outdated. Most of the five billion, about 80 percent, live in countries that are indeed developing, often at amazing speed. The real challenge of development is that there is a group of countries at the bottom that are falling behind, and often falling apart.

The countries at the bottom coexist with the twenty-first century, but their reality is the fourteenth century: civil war, plague, ignorance. They are concentrated in Africa and Central Asia, with a scattering elsewhere. Even during the 1990s, in retrospect the golden decade between the end of the Cold War and 9/11, incomes in this group declined by 5 percent. We must learn to turn the familiar numbers upside down: a total of five billion people who are already prosperous, or at least are on track to be so, and one billion who are stuck at the bottom.

This problem matters, and not just to the billion people who are living and dying in fourteenth-century conditions. It matters to us. The twenty-first-century world of material comfort, global travel, and economic interdependence will become increasingly vulnerable to these large islands of chaos. And it matters now. As the bottom billion diverges from an increasingly sophisticated world economy, integration will become harder, not easier.

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All societies used to be poor. Most are now lifting out of it; why are others stuck? The answer is traps. Poverty is not intrinsically a trap, otherwise we would all still be poor. Think, for a moment, of development as chutes and ladders. In the modern world of globalization there are some fabulous ladders; most societies are using them. But there are also some chutes, and some societies have hit them. The countries at the bottom are an unlucky minority, but they are stuck.

Traps, and the Countries Caught in Them

Suppose your country is dirt poor, almost stagnant economically, and that few people are educated. You don't have to try that hard to imagine this condition – our ancestors lived this way. With hard work, thrift, and intelligence, a society can gradually climb out of poverty, unless it gets trapped. Development traps have become a fashionable area of academic dispute, with a fairly predictable right-left divide. The right tends to deny the existence of development traps, asserting that any country adopting good policies will escape poverty. The left tends to see global capitalism as inherently generating a poverty trap.

The concept of a development trap has been around for a long time and is most recently associated with the work of the economist Jeffrey Sachs, who has focused on the consequences of malaria and other health problems. Malaria keeps countries poor, and because they are poor the potential market for a vaccine is not sufficiently valuable to warrant drug companies making the huge investment in research that is necessary. This book is about four traps that have received less attention: the conflict trap, the natural resources trap, the trap of being landlocked with bad neighbors, and the trap of bad governance in a small country. Like many developing countries that are now succeeding, all the countries that are the focus of this book are poor. Their distinctive feature is that they got caught in one or another of the traps. These traps are not inescapable, however, and over the years some countries have broken free of them and then started to catch up. Unfortunately, that process of catching up has itself recently stalled. Those countries that have only broken clear of the traps during the last decade have faced a new problem: the global market is now far more hostile to new entrants than it was in the 1980s. The countries newly escaped from the traps may have missed the boat, finding themselves in a limbo-like world in which growth is constrained by external factors; this will be the theme in my discussion of globalization. When Mauritius escaped the traps in the 1980s it rocketed to middle-income levels; when neighboring Madagascar finally escaped the traps two decades later, there was no rocket.

Most countries have stayed clear of any of the traps that are the subject of this book. But countries with a combined population of around one billion people have got caught in them. Underlying that statement are some definitions. For example, one of the traps involves being landlocked – although being landlocked is not sufficient to constitute the trap. But when is a country landlocked? You might think that such a matter is clear enough from an atlas. But what about Zaire, which after the ruinous reign of President Mobutu understandably rebranded itself as the

Democratic Republic of the Congo? It is *virtually* landlocked but has a tiny sliver of coast. And Sudan has some coast, but most of its people live far away from it.

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As of 2006 there are around 980 million people living in these trapped countries. Since their populations are growing, by the time you read this the figure will be hovering around the one billion mark. Seventy percent of these people are in Africa, and most Africans are living in countries that have been in one or another of the traps. Africa is therefore the core of the problem.

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But the countries of the bottom billion do not form a group with a convenient geographic label. When I want to use a geographic label for them I describe them as "Africa +," with the + being places such as Haiti, Bolivia, the Central Asian countries, Laos, Cambodia, Yemen, Burma, and North Korea. They all either are still in one of the traps or escaped too late.

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So, how have the countries of the bottom billion been doing? First, consider how people live, or rather die. In the bottom billion average life expectancy is fifty years, whereas in the other developing countries it is sixty-seven years. Infant mortality – the proportion of children who die before their first birthday – is 14 percent in the bottom billion, whereas in the other developing countries it is 4 percent. The proportion of children with symptoms of long-term malnutrition is 36 percent in the bottom billion as against 20 percent for the other developing countries.

The Role of Growth in Development

Has this gap between the bottom billion and the rest of the developing world always been there, or has it come about because the bottom billion have been trapped? To find out, we have to disaggregate the statistics that have been used in the past to describe all the countries that we label as "developing." Here's a hypothetical example. Prosperia has a big economy that is growing at 10 percent, but the country has only a small population. Catastrophia is a small economy declining at 10 percent, but it has a large population. The usual approach – employed, for example, by the International Monetary Fund (IMF) in its flagship publication *World Economic Outlook* – is to average figures that relate to the size of a country's economy. On this approach, Prosperia's large, growing economy skews the average upward, and so in aggregate the two countries are described as growing. The problem is that this describes what is going on from the perspective of the typical unit of income, not from the perspective of the typical person. Most units of income are in Prosperia, but most people are in Catastrophia. If we want to describe what the typical person experiences in the countries of the bottom billion, we need to work with figures based not on a country's income but on its population. Does it matter? Well, it does if the poorest countries are diverging from the rest, which is the thesis of this book, because averaging by income dismisses the poorest countries as unimportant. The experience of their people does not count for much precisely because they are poor – their income is negligible.

When we get the data appropriately averaged, what do we find? Those developing countries that are not part of the bottom billion – the middle four billion – have experienced rapid and accelerating growth in per capita income. Let's take it decade by decade. During the 1970s they grew at 2.5 percent a year, hopeful but not remarkable. During the 1980s and 1990s their growth rate accelerated to 4 percent a year. During the first few years of the twenty-first century it accelerated again to over 4.5 percent. These growth rates may not sound sensational, but they are without precedent in history. They imply that children in these countries will grow up to have lives dramatically different from those of their parents. Even where people are still poor, these societies can be suffused with hope: time is on their side.

But how about the bottom billion? Let's again take it decade by decade. During the 1970s their per capita income rose at 0.5 percent a year, so they were becoming slightly better off in absolute terms but at a rate that was likely to be barely perceptible. Given the high degree of volatility of individual incomes in these societies, the slight overall tendency to improvement is likely to have been drowned by these individual risks. The overall tenor of the society will have been dominated by individual fears of falling rather than hope coming from society-wide progress. But in the 1980s the performance of the bottom billion got much worse, *declining* at 0.4 percent a year. In absolute terms, by the end of the 1980s they were back to where they had been in 1970. If you had been living in these societies over that full sweep of twenty years, the only economic experience was of individual volatility: some people went up and some went down. There was no society-wide reason for hope. And then came the 1990s. This is now seen as the golden decade, between the end of the Cold War and 9/11 – the decade of the cloudless sky and booming markets. It wasn't so golden for the bottom billion: their rate of absolute decline accelerated to 0.5 percent a year. By the turn of the millennium they were therefore poorer than they had been in 1970.

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Think about what these two sets of growth rates imply. During the 1970s the bottom billion diverged in growth from the rest of the developing world by 2 percent a year. So even then the main feature of the societies in the bottom billion was divergence, not development. But the situation soon became alarmingly worse. During the 1980s the divergence accelerated to 4.4 percent a year, and during the 1990s it accelerated further to an astonishing 5 percent a year. Taking the three decades as a whole, the experience of the societies in the bottom billion was thus one of massive and accelerating divergence. Given the power of compound growth rates, these differences between the bottom billion and the rest of the developing world will rapidly cumulate into two different worlds. Indeed, the divergence has indeed already pushed most of the countries of the bottom billion to the lowest spot in the global pile.

It was not always that way. Before globalization gave huge opportunities to China and India, they were poorer than many of the countries that have been caught in the traps. But China and India broke free in time to penetrate global markets, whereas other countries that were initially less poor didn't. For the last two decades this has produced a growth pattern that appears confusing. Some initially poor countries are growing very well, and so it can easily look as if there is not really a problem: the bottom appears to be growing as fast as the rest. Over the next two decades the true nature of the problem is going to become apparent, however, because the countries that are trapped in stagnation or decline are now pretty well the poorest. The average person in the societies of the bottom billion now has an income only around one-fifth that of the typical person in the other developing countries, and the gap will just get worse with time. Picture this as a billion people stuck in a train that is slowly rolling backward downhill. By 2050 the development gulf will no longer be between a rich billion in the most developed countries and five billion in the developing countries; rather, it will be between the trapped billion and the rest of humankind.

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All the people living in the countries of the bottom billion have been in one or another of the traps that I have described [...]. Seventy-three percent of them have been through civil war, 29 percent of them are in countries dominated by the politics of natural resource revenues, 30 percent are landlocked, resource-scarce, and in a bad neighborhood, and 76 percent have been through a prolonged period of bad governance and poor economic policies. Adding up these percentages, you will realize that some countries have been in more than one trap, either simultaneously or sequentially.

But when I speak of traps, I am speaking figuratively. These traps are probabilistic; unlike black holes, it is not impossible to escape from them, just difficult. Take as an example the trap of bad governance and poor policies, and remember that the mathematical expectation of being stuck with bad policies is nearly sixty years. That expectation is built up from the very small chance, less than 2 percent, of escaping from the trap in any single year. But of course that small change implies that periodically countries do escape. This is true of all the traps: a peace holds (as is currently the case in Angola), natural resources get depleted (as is looming in Cameroon, which has nearly exhausted its oil reserves), reformers succeed in transforming governance and policies (as is now under way in Nigeria). And such transformations have implications for the landlocked: as Nigeria turns itself around, Niger, though still landlocked, is now in a better neighborhood. The focus of this chapter is to ask what happens next.

You might think that if a country escapes from a trap, it can then start to catch up – it will begin to grow, and grow pretty fast. The professional term for catch-up is "convergence." The best-studied example of convergence is the European Union. The countries that were initially the poorest members, such as Portugal, Ireland, and Spain, have grown the fastest, whereas the country that was initially richest, Germany, has grown slowly, and so the states that make up the European Union have converged. That is partly why relatively poor countries such as Poland and the other countries of Eastern Europe have been keen to join, whereas the countries that are richer than the European Union, Norway and Switzerland, have decided not to do so. Convergence is also working on a global scale: the lower-income countries are, on the whole, growing faster than the developed countries. People in the developed world are starting to get worried that China is converging on us so fast. The fact that the countries of the bottom billion have bucked this trend to convergence is the puzzle with which I started. And so far my explanation has been that they have been stuck in one or another of the four traps.

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To get a chance to play in the global economy, you need to break free of the traps, and that is not easy. Remember, in order to turn a country around it helps to have a pool of educated people, but the global labor market is draining the bottom billion of their limited pool of such people. Even once they reform, many of these economies find it difficult to attract private investment inflows, and may continue to hemorrhage their own modest private wealth. And they face a high hurdle in trying to break into diversified markets for exports because China, India, and the other successful developing countries have already done so. Even once free of the traps, countries are liable to be stuck in a kind of limbo – no longer falling apart, but not able to replicate the rapid growth of Asia, and so failing to converge.

This indeed seems to describe a lot of bottom-billion countries that have recently come out of the traps. Remember that in the past four years the average country of the bottom billion has at last started to grow. I have interpreted that as a temporary phenomenon linked to the global boom in commodities. But suppose you were to put the most favorable gloss on it – that they have broken free of the traps. Well, although they are growing, it is at a very sedate pace – much more slowly than the other developing countries even during the slow decade of the 1970s. Even if their present growth rate is sustained, they will continue to diverge rapidly. It will take them many decades to reach what we now consider to be the threshold of middle income, and by that time the rest of the world will have moved on.

There is also a yet more depressing variant of the future for these limbo countries: the traps still await them. As long as they have low incomes and slow growth they continue to play Russian roulette. Côte d'Ivoire survived low income and slow growth for a couple of decades but then fell into conflict as the result of a coup. Zimbabwe survived the same and then fell into bad governance. Tanzania, currently among the most hopeful low-income countries, is about to become resource-rich due to new discoveries of gas and gold. Malawi grew remarkably well for the first decade of its independence, considering that is landlocked and resource-scarce, but then its neighbors fell into the conflict trap and, being dependent upon them, it too began to decline. And so a miserable but possible scenario is that countries in the bottom billion oscillate between the traps and limbo, perhaps switching in the process from one trap to another.