

New Thinking on Development

Commonwealth Secretariat and the
Initiative for Policy Dialogue
February 2008, Sierra Leone

Thinking has shifted

- This lecture is about the ways that thinking on development has shifted radically in the last 10 years.
 - Many ideas that were considered radical are now widely accepted.
 - Some of the most famous economists are now focusing their work on Africa and on resource-rich countries
-

The WB is Controversial

- **The main charges are that the Bank is arrogant, ineffective and funds the wrong sort of projects, that it's not transparent enough and that it breeds corruption through its lending policies, that some of its projects have adverse effects on environment (e.g. contributing to deforestation) and adverse social consequences (massive resettlements of people), and that it has undermined democratic processes.**
 - **In the sixties and seventies, the WB was enamored of large infrastructure projects—many of which went horribly wrong. It funded huge dams that didn't get built or didn't work and that involved massive resettlements of people.**
 - It was charged that lending often benefited donors more than recipients.
-

Criticism From Outside the Bank

- ❑ We begin with criticism of the World Bank as it is one of the largest lenders--In 2006 the World Bank lent almost \$20 billion to developing countries and it has over 10,000 employees.
 - ❑ NGOs around the world have criticized the bank for its policies.
 - ❑ Many governments have taken Bank loans but not done the reforms they were told to do.
 - ❑ Many bi-lateral donors have found themselves at odd with proposed Bank reforms
 - ❑ In the US the Meltzer commission looked at the role of the IMF and this focused attention on the World Bank as well. Often critiques came from the right as well as the left.
-

Dissent Within the Bank

- Some of the Bank's own employees who have criticized the Bank have resigned.
 - Joseph E. Stiglitz—chief economist left in February 2000
 - US Treasury and IMF insisted that he toe party line, not express any disagreement
 - Ravi Kanbur resigned in early summer of 2000
 - In charge of World Development Report on Poverty
 - US Treasury was demanding changes in report, de-emphasizing role of voicelessness, insecurity
 - They were followed by William Easterly and David Ellerman
 - Easterly had questioned efficacy of Bank policies
 - More recently many people quit following the appointment of Paul Wolfowitz as president
-

Has the World Bank Promoted Growth and Poverty Reduction?

- ❑ In order to receive money, strong *conditions* were imposed. Countries were required to follow policies dictated by the World Bank and IMF. Critics claimed that *conditionality* was not just directed at increasing ability to repay loan
 - ❑ Critics claim that misspent money and bad policies left countries more deeply in debt, but none the richer
-

Part of a Larger Debate

- ❑ **The controversy around the World Bank is part of a larger debate about globalization and the role of the international organizations like the IMF and World Trade Organization**
- ❑ **Debate in the West has shifted enormously in the last five years**
- ❑ **Capital Market Liberalization—The IMF and Economist Magazine have reversed themselves**
- ❑ **Trade—There is now widespread agreement that trade agreements unfair and need to be renegotiated. WTO was stalled but new move on EU agriculture has paved the way for Doha round to proceed**
- ❑ **Bail-out strategy of IMF clearly often failed**
- ❑ **Bankruptcy—Stiglitz pressed for an alternative, focusing on bankruptcy regime. After Argentine failure, Anne Kreuger (IMF deputy managing director) took up of bankruptcy for sovereigns. Several proposals have been made, all of which have stalled, largely because of U.S. opposition**
- ❑ **Debt forgiveness on the agenda of the G-8**

History of Theories on Development

- ❑ The Bank has gone through many different phases and tried many solutions to the problem of world poverty.
 - ❑ But many of the programs/policies the Bank pursued, in its attempt to reduce poverty, have failed. To be fair, there is no simple solution to the problem of development.
 - ❑ In William Easterly's book "The Elusive Quest for Growth" he discusses many of the economic theories about poverty reduction and why they didn't work.
-

Financing Gap

- In the fifties economists believed in the Financing Gap--capital accumulation was essential to growth. The idea, invented by Evsey Domar in 1946, was that "GDP growth will be proportional to the share of investment spending in GDP." The idea was that machines were essential to development rather than labor. According to Sir Arthur Lewis, writing in the fifties, "the central fact of economic development is capital accumulation" (consistent with Soviet Strategy)
 - If there was a gap in investment then the gap in financing should be filled by donors--hence the role of the World Bank
 - Recognized failure of private markets to meet finance needs. (Another irony: IMF and World Bank created in recognition of market failure, yet in 80s, seemed to ignore the importance of market failures)
-

Failure of Financing Gap Theory

- ❑ The idea was to give countries the needed amount of finance so they could invest more in their own growth.
 - ❑ During the Cold War, the West was afraid that the Soviet Union would become rich and countries would be tempted to follow their example. John F. Kennedy pushed for more US aid so that developing countries would catch up and not be influenced by Communism.
 - ❑ In the sixties and seventies, economists still believed in the theory even though it didn't work out in reality.
-

Failure of Financing Gap Theory

- ❑ Of the 88 countries that received aid which Easterly studied only 17 had more investment and of these only 6 grew as much as they were supposed to in theory, with one dollar of additional aid leading to one dollar of more investment.
 - ❑ It could be the aid was used for other reasons (such as to make up for a drought). More generally, Aid was often treated as an addition to income and wealth, with some of that addition spent on consumption
 - ❑ but the bottom line is it didn't work
-

Capital is important, but is not everything

- ❑ Resource rich countries have ample capital, resources
 - ❑ Some, like Nigeria, squander it (corruption)
 - ❑ Some, like Venezuela, seem to invest it very poorly
 - ❑ The “miracle of East Asia”
 - They saved themselves, with limited resources and foreign aid—25% to 40% of GDP
 - They invested it well
 - And they worked hard to improve technology
 - Including through improved education
 - All the time ensuring that there was close to full employment, so human resources were not wasted
-

Robert Solow's ideas

- ❑ Nobel laureate Robert Solow wrote papers in 1956 and 1957 arguing that it's not investment in machines which makes a difference but advances in technology.
 - ❑ In the beginning, machines make a difference but eventually there is diminishing returns.
 - ❑ Also there could be other problems such as lack of incentives for growth or a shortage of inputs other than capital.
 - ❑ There could be a lack of educated workers to use the machines
-

Education

- ❑ So some economists began to argue that education was the key to development.
- ❑ This also turned out not to be true.
- ❑ Many countries invested more in education but didn't have jobs for the educated workers.
- ❑ Growth without job creation meant the countries could not advance. Structural adjustment policies emphasized inflation, not employment
- ❑ Easterly claims that in reality, growth came first and then education levels rose.
- ❑ But in East Asia, they came together

Population Control

- ❑ In the seventies, there was a new trend among economists.
 - ❑ They argued that population growth was getting out of hand and the solution was to control population growth.
 - ❑ Linked in part to focus on resources: what mattered was capital per worker and education; more workers required more resources; resource limited countries had to therefore control number of workers
-

Population Control

- ❑ In fact, economists who studied the data found there was no significant relationship between limiting population growth and gains in economic growth.
 - ❑ Many poor countries don't have population explosions. (But that may be because of social policies—Kerala and Bangladesh)
 - ❑ Growth may quickly lead to reduction of population growth rates (so called demographic transition)
-

Failure of Structural Adjustment

- ❑ The next big idea was structural adjustment policies.
 - ❑ If governments behaved responsibly and controlled spending and inflation, this would give rise to GDP growth.
 - ❑ In fact many of the countries that pursued these policies did not see GDP grow
 - ❑ At the same time, the poor suffered through cutbacks in spending.

 - ❑ Structural adjustment is part of what is known as the Washington Consensus
-

Washington Consensus Policies

- ❑ Set of policies imposed on developing countries
 - ❑ Consensus on policy between IMF, World Bank, and Treasury
 - ❑ Developing countries not involved in formulation of consensus
 - ❑ Influenced by Reagan-Thatcher view of world—minimal role for government
 - ❑ And “market fundamentalism”—view that markets by themselves work well
-

Washington Consensus Policies

Key ingredients

- Stabilization
 - With major emphasis on inflation
 - View of major source of problem too loose budget constraints (too much government expenditure), too loose monetary policy
- Liberalization
 - Trade
 - Capital and Financial Markets
- Privatization
 - Not just selling steel mills
 - But also water, electricity
 - And even social security, prisons—areas in which governments in developed countries play active role

Washington Consensus Policies

- Irony: Just as Washington Consensus policies were being adopted, research in economics explained wide areas of market failures
 - Imperfect information
 - Imperfect competition
 - Incomplete markets
 - Externalities
 - Unemployment
 - Importance of research and technology, where “standard” assumptions did not apply
-

Washington Consensus Policies

- And most successful countries in World, in East Asia, were following markedly different policies
 - Emphasis on education
 - On Egalitarian policies, promoting social and political stability
 - Emphasis on industrial policies—government promoting technology and savings
 - Korea government creating one of most efficient steel mills in world
 - And limitations to liberalization
 - China has still not fully liberalized capital flows

Evidence on Failure

- ❑ Countries with structural adjustment policies and IMF aid did not grow faster
 - ❑ IMF replies: we gave aid to “sick” countries. Like saying likelihood of death in hospital greater than if you stay at home”
 - ❑ IMF failed to prove that their hospitalization has any positive effect
-

Evidence on Failure

- ❑ But some studies link lending to politics as well as economics (those who vote with US at UN get more aid)
 - ❑ And those countries that have received more *political aid* (more aid than their economic circumstances would have warranted) have not done better
 - ❑ Clear examples of failures of IMF structural adjustment policies more recently in East Asia—even IMF admits excessive fiscal stringency
-

Criticisms of Washington Consensus Policies

- ❑ Neither necessary nor sufficient conditions for growth
 - ❑ Countries that followed dictates—like Bolivia—are still waiting for results
 - ❑ Countries that did not follow prescription—like China—were enormously successful
-

Capital Market Liberalization

- ❑ Most seriously criticized
 - ❑ Contributed to major crises
 - ❑ While increases risk, does not lead to increased growth
 - ❑ Cited as example of ideology and interests as driving policy agenda
 - ❑ Pushed by IMF with no evidence of value to developing countries
 - ❑ WB raised criticisms—source of conflict with IMF
 - ❑ NOW, IMF recognizes the CML does not promote growth, does increase instability
-

Criticisms of Washington Consensus Policies: Trade Liberalization

- ❑ Limited evidence that it promotes growth
 - ❑ When combined with IMF austerity, jobs destroyed, but new jobs not created
 - ❑ Leading to increased unemployment
 - ❑ Increased poverty
 - ❑ But not additional growth
-

WB criticized for its macroeconomic policies

- When the Bank got involved in *structural adjustment lending* (in cooperation with the IMF and other donors, intended to facilitate the “restructuring” of the economy, through privatization, liberalization, and stabilization) the Bank was criticized for promoting *excessive* fiscal austerity at the expense of ordinary people.
 - Excessive focus on inflation, not enough focus on employment and growth
 - Excessive focus on government as source of problem, not sufficient focus on private sector
 - It was private sector borrowing that led to problems in East Asia
 - Often balancing the budget meant cutting back on social spending, on education, on food subsidies and subsidies to farmers.
-

Privatizations also criticized

- ❑ Privatizations that were urged on developing countries by the IFIs were attacked. The Bank was blamed for things like higher water prices in Bolivia after privatization took place there.
 - ❑ Terms of privatization also were criticized
 - Contracts left developing countries bearing all risk
 - Indexed prices in contracts contributed to Argentine crisis
 - ❑ Privatizations associated with corruption (e.g. Russia)
 - ❑ Premature privatization (before tax system in place) contributed to Russia's fiscal woes
 - ❑ Privatization before regulatory framework in place—abuse of market power
 - ❑ Bottom line: Privatizations often not associated with enhanced economic growth, often associated with increased social and political turmoil
-

Why Did Structural Adjustment Policies Fail

- Excessive focus on inflation
 - Below certain levels, no link between inflation and growth
 - Insufficient focus on employment and growth
 - High interest rate policies have stifled growth
 - Insufficient attention to determinants of political and social stability
 - Costs of riots in Indonesia far greater than budgetary costs of food subsidies
 - Excessive reliance on markets by themselves
 - In all successful countries government has played an important role
-

Not always easy to assess validity of criticisms

- Bank wrongly blamed: IMF responsible for macro-policy
 - IMF often uses bad accounting frameworks (not including aid as revenue, as in Ethiopia, including state owned enterprise borrowing for investment like any other spending)
 - IMF often does pursue excessive budget stringency—East Asia (admitted)
 - IMF often ignores social consequences of policies
 - Induces riots
 - Deteriorating health, education
 - With adverse economic consequences
 - *But* countries cannot live beyond their means without persuading someone to give them additional resources
-

Some criticisms clearly valid

- ❑ Trade liberalization did not always lead to growth
 - ❑ Capital market liberalization did not lead to growth, but was often associated with instability
 - ❑ Privatizations often did not seem to reap benefits claimed
 - Expanded service
 - But not necessarily lower prices
 - ❑ Global instability increased
 - More than 100 crises in last 30 years
-

Beyond Structural Adjustment

- World Bank has moved beyond projects and (structural adjustment) policies to institutions
 - Emphasizing role of government
 - And adverse effect of corruption
 - Problem is: no easy way to create good institutions
 - And World Bank may not be best suited for creating strong institutions
 - With international financial institutions still excessively wedded to “private sector” solutions
-

How valid are the criticisms?

- ❑ Enough anecdotes to give rise to concern
 - ❑ But difficult to form overall assessment
 - ❑ Some criticisms almost surely exaggerated
 - Bank taken active role in fighting corruption
 - And procedures safeguard against standard forms of corruption
 - Often used as models for developing countries
 - ❑ The Bank is often blamed for IMF policies
 - Institutions differ
 - IMF responsible for macro-economic policies
 - In certain areas (Structural Adjustment Loans) the two work in tandem
 - In a few cases, WB has lent even when IMF has cut off funds (Ethiopia)
-

The Bank Has Reformed Are the criticisms still valid?

- Procedures for protecting environment, social safeguards
 - But are they adequate?
 - Bank taken a broader view of development
 - Going beyond Washington consensus policies (privatization, liberalization, stabilization)
 - Bank has gone from *projects* to *policies* to institutions
 - Focused on *Comprehensive Approach to Development*
 - But has it gone far enough?
 - Although the IMF still pursues structural adjustment policies in some countries (Argentina, Turkey) the idea now is to focus on poverty reduction and to get countries to “own” or “buy in to” development strategy policies.
 - Borrowing countries are expected to produce a PRSP – poverty reduction strategy paper.
-

The Bank Has Reformed Are the criticisms still valid?

- Bank has said “country is in the drivers seat”?
 - Reflected in greater country participation (PRSP—poverty reduction strategy papers)
 - But is there more than rhetoric?
 - Bank has put more emphasis on “selectivity” (giving money to countries with proven track record)
 - But what happens to poorest countries?
-

The Bank Has Reformed

- ❑ **Structural adjustment lending puts more emphasis on poverty and participation (PSRP).**
 - ❑ **Reduced conditionality**
 - ❑ **Global civil society pushed for HIPC which is now in place.**
 - ❑ Although the IMF still pursues structural adjustment policies in some countries (Argentina, Turkey) the idea now is to focus on poverty reduction and to get countries to “own” or “buy in to” development strategy policies.
 - ❑ Borrowing countries are expected to produce a PRSP –poverty reduction strategy paper.

 - ❑ Procedures for protecting environment, social safeguards
 - But are they adequate?
 - ❑ Bank taken a broader view of development
 - Going beyond Washington consensus policies (privatization, liberalization, stabilization)
 - Bank has gone from *projects* to *policies* to institutions
 - Focused on *Comprehensive Approach to Development*
 - But has it gone far enough?
-

Africa: the major challenge

- ❑ Conflicts major source of problem (Collier)
 - ❑ AIDs also major problem
 - ❑ But even those countries that have had relative political stability, good governance (relatively little corruption), improved education, good macro-policy—such as Uganda—seem unable to attract much foreign investment
-

Sachs, Easterly and Collier

- Today there are three major thinkers on Africa in the economics professions.
 - They are Jeffrey Sachs, William Easterly and Paul Collier
 - In many ways they disagree
-

High Profile Bickering

- One of the big debates over the last years has been the argument between two development economists: Jeff Sachs and William Easterly.
- Sachs ran the Harvard Institute for International Development and was appointed by Kofi Annan as a special advisor on the UN's MDG. He is hated on the left because of his shock therapy background. Has redeemed himself with his efforts on Africa—millenium villages. He excels at PR and marketing and is friends with Bono. Director of Earth Insitute, his wife is a doctor.

Easterly

- Easterly was at the World Bank for many years (remember him from the last lecture) and was forced out. He works with Nancy Birdsall's Center for Global Development and is now at NYU.
 - His book "White Man's Burden" came out in 2006 and was controversial in the development community and popular with conservatives and Republicans.
-

End Of Poverty

- ❑ The opening salvo in the battle began when Easterly panned Sachs' book in the Washington Post.
 - ❑ Sachs believes it is time for a big push to end world poverty.
 - ❑ He is outraged by the 3 mln people a year who died of malaria and the 1 billion living in extreme poverty. (Another 1.5 bln are poor)
 - ❑ Many of the problems poor people face can be solved by more aid. Solutions are things like:
 - buying and distributing bed nets so people don't get malaria
 - providing more drinking water
 - getting experts to improve nutrients in the soil so farmers can grow more crops
 - we can pay teachers a good salary so they will show up and teach
 - schools should provide meals for children
- He used to spend a lot of time talking about geography. Landlocked countries did worse than others. Mongolia, Bolivia suffered from geography. Now he is spending more time talking about malaria and droughts (and developed a new interest in climate change) but his focus remains on science and practical things that can be done.
-

Sachs is a Campaigner

- ❑ He is very passionate and tireless. He goes around the world pushing hard to raise awareness.
 - ❑ He is fund raising millions of dollars for his experimental Millenium Villages
 - ❑ The plan is to try everything at once and make them model villages that other villages and governments can learn from.
 - ❑ Sachs say there is no reason to make people choose between spending money on schools and building more wells. Both should be done at the same time.
-

Causes of Poverty

- ❑ In his book Sachs gives some background on the number of poor in the world and discusses some of the debates on how to collect data
 - ❑ He lists some of the main reasons countries stay poor:
 - poverty trap (too poor to save for future and accumulate capital to get out of being poor). Sachs did not invent this theory. Many economists have discussed it.
 - geography
 - demographic trap
 - lack of innovation (poor and small countries have no incentives to innovate as their markets are too small)
 - cultural barriers (certain castes or groups may be barred from certain fields or opportunities)
 - fiscal trap (govt does not collect enough taxes to provide public goods or maybe stuck with large debts to pay off)
 - governance failures
-

Millennium Goals

- Using the area of Sauri, Kenya as a case study Sachs explains how it could be helped to meet the MDGs. He proposes investments in agriculture, education, basic health, safe drinking water, power/transport/communications
 - He gives examples from the past to show it is possible to scale up small programs to make huge differences: the green revolution, eradication of smallpox, 1982 UNICEF campaign on child mortality, global alliance for vaccines and immunization funded by Bill and Melinda Gates Foundation (\$750 mln) in the late nineties, campaigns against polio, control of African river blindness, campaign against malaria, spread of family planning.
-

Millennium Villages

- ❑ He then sets to work and starts the Millennium Villages project.
 - ❑ These are located in Africa (including Ghana, Kenya, Mali, Malawi, Nigeria, Senegal, Tanzania, Uganda) and are receiving aid to tackle their problems
 - ❑ The locals have to be involved and come up with a plan for their development. Plans include agricultural extension, distribution of seeds and fertilizer, medicine for livestock. Improved school attendance.
 - ❑ So far there are some good signs
 - crop output has risen in some of them (others hit by drought and heavy rains)
 - in some cases health has improved but not in all.
- Worrying things:
- what will happen to nearby villages who aren't in the plan?
 - how will jobs be created for people once the population rises due to improved health?
 - will it be sustainable?
 - Is the balance of the community being upset by too much power going to the people in charge of the money for the project?

Sachs' Chequered Past

- ❑ Before reinventing himself as an anti poverty crusader, Sachs was most famous for his work advising Russia on the transition.
 - ❑ Today he is still blamed for what happened there.
 - ❑ He is remembered as the architect of shock therapy.
 - ❑ In Bolivia too, he brought down inflation and caused terrible damage to the economy
 - ❑ He has never admitted any responsibility or apologized
-

Enter Bill Easterly

□ Bill Easterly's book follows on from the first one. In this new one "White Man's Burden" he divides the development world into two categories

--planners—big top down, ambitious ideas

--searchers—thoughtful, careful, try something out and see what works

He says Sachs falls into the planner category and that his idea of a big push is consistent with his support for shock therapy during the Russian transition.

Planners focus too much on the big picture. They get distracted from the task in front of them. They can't give out malaria medicine because they are doing too many other things as well. Try to do too much at one time. Says that sometimes markets just make things work —how did all the Harry Potter books get into the bookstores? (silly point, it happened because of planning)

Says that planners cause a "second tragedy" for the poor of this world "Poor people die not only because of the world's indifference to their poverty, but also because of ineffective efforts by those who do care."

He compares Sachs to the 19th c. Utopian Socialist Robert Owen

Says planners aren't accountable. They come up with big ideas because donors want to see big plans. Many of them simply don't work. \$2.3 trillion dollars of dollars of aid has been given in the last 60 years and many countries are still poor.

Searchers

- Says it is better to focus on small things that are achievable. “No amount of expert training will create a Derby winning race cow. It makes much more sense to ask, “What useful things can a cow do?” A cow can nicely feed a family with a steady supply of milk, butter, cheese (and unfortunately for the cow) beef.”
 - Easterly points to searchers he says were successful:
 - Mohammed Yunus, founder of Grameen Bank
 - The NGO, Population Services International, in Malawi sells bed nets for fifty cents to mothers through ante natal clinics at the countryside. They sell them to city dwellers for \$5 and use the profits to subsidize the nets sold in the country side so the program pays for itself. Thanks to their efforts, the nationwide average of children under 5 sleeping under nets rose from 8% in 2000 to 55% in 2004 with similar increases for pregnant women. In Zambia, where nets were given for free, 70% of recipients didn't use the nets.
 - Etenesh Ayele spent 12 years carrying firewood into Addis. Now she has started an NGO which teaches them other skills like weaving and gives them small loans so they can set up little businesses.
-

How do searchers occur?

- ❑ Feedback and accountability. Aid agencies are not accountable.
 - ❑ Let the poor help themselves and sort out their own problems.
 - ❑ Try things and see if they work. Don't come up with a big plan in advance.
-

Shock Therapy

- ❑ Easterly confesses he was a shock therapist. Says the lesson of the Russian transition is you can not plan a market.
 - ❑ That is absurd. The problem in Russia was not too much planning but the rush to a free market.
 - ❑ But Easterly lumps structural adjustment into the “planner” category and says it was a big idea that didn’t fit.
 - ❑ This is true. But it’s a stretch to say shock therapy was part of a big government plan. Most people would consider structural adjustment a way of pushing economies into the free market. The problem with the Russian transition was there was not enough planning done. Privatization done before there was regulation, bank financing, good laws, taxation.
 - ❑ Meanwhile lots of countries that done extremely well (China, Korea, Vietnam) had plenty of government planning.
 - ❑ Throughout Easterly’s book he picks and chooses his examples. When something works he says it is an example of searching. When something fails lumps it into the planner category.
-

Is Easterly right?

- Many ways to critique Easterly
 - a lot of the \$2.3 trln was given to political allies of the West. Never really supposed to end poverty and not surprising that it didn't.
 - the Millennium Villages are examples of the practical small-scale kinds of projects Easterly says he likes
 - he is right, however, that money on its own won't solve all problems.
 - The MVs will make life better for the people living there but they won't turn those countries into China. The development that happened in Asia was a different kind of thing.
-

Sachs' Response

- Feels Easterly has caused a lot of problems for his cause. Makes it harder to raise funds. Undermines poverty alleviation efforts. Everywhere he goes, he is asked about Easterly's arguments.
-

Paul Collier's Work

- ❑ Collier was at the World Bank for many years. His research focused on development in conflict situations.
 - ❑ He says that in post-conflict countries like Liberia, Sierra Leone, Southern Sudan and Nigeria what you see after the conflict has ended is:
 - ❑ A construction boom which drives up prices
-

Construction Boom

- ❑ After a conflict ends, there is a lot of building to be done. The price of building a school doubles in the first year of peace
 - ❑ This slows growth of the sector and wastes resources
 - ❑ It can be hard to get land
 - ❑ It can be hard to find skilled labor.
 - ❑ Getting young men into jobs is crucial.
 - ❑ Each brick layer needs assistants so training young men to work in construction is important
 - ❑ The construction should be for what people need (schools, hospitals, housing) not big luxury projects
-

The Resource Curse

- ❑ Collier, Stiglitz and Terry Karl also write extensively on the resource curse
 - ❑ Countries with natural resources often do worse than ones that don't have them.
 - ❑ Problems include 'Dutch disease' when the currency is overvalued
 - ❑ Poor governance and corruption
 - ❑ Civil wars over the resources and which are funded by the resource wealth
 - ❑ The money is not spent wisely or well.
-

What does this mean for journalists?

- ❑ Journalists need to know what the thinking is overseas and how other countries handle similar problems.
 - ❑ As watchdogs, you can monitor the government to see what programs and policies it is putting in place.
 - ❑ Sierra Leone needs to find ways to boost health and education and infrastructure so its people can find jobs in the globalized economy
 - ❑ Your job is to educate yourselves and the public so your people and government can make informed policy choices.
-