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# Copenhagen Consensus



If we can't do everything  
what should we do first?

LSE, November 17, 2005



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# Copenhagen Consensus

- home page

[www.copenhagenconsensus.com](http://www.copenhagenconsensus.com)



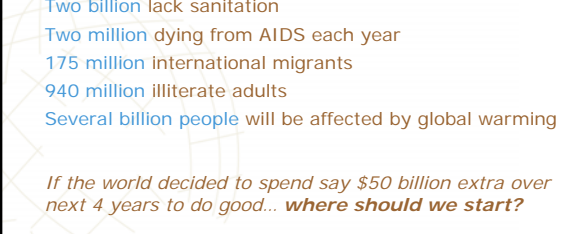

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# There are lots of problems

We need to *prioritize*

- 800 million are starving
- One billion lack clean drinking water
- Two billion lack sanitation
- Two million dying from AIDS each year
- 175 million international migrants
- 940 million illiterate adults
- Several billion people will be affected by global warming

*If the world decided to spend say \$50 billion extra over next 4 years to do good... where should we start?*



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# The 10 challenges

- Climate Change
- Communicable Diseases
- Conflicts
- Education
- Financial Instability
- Governance and Corruption
- Malnutrition and Hunger
- Population: Migration
- Sanitation and Water
- Subsidies and Trade Barriers



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# Solutions to the 10 challenges

- Climate Change  
Kyoto, \$100 carbon tax
- Communicable Diseases  
Health clinics, mosquito nets
- Conflicts  
UN peace-keeping forces
- Education  
Money for school books
- Financial Instability  
Bonds in local currencies
- Governance and Corruption  
Training for judges
- Malnutrition and Hunger  
Provision of micro-nutrients
- Population: Migration  
Lowering barriers to migration
- Sanitation and Water  
Clean drinking water
- Subsidies and Trade Barriers  
Free trade




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# Prioritization is unpleasant

- That is probably why it hasn't been done before
- Yet, any decision is still a prioritization
- Like a menu without prices and sizes



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## Rationality

- Utilizes the *knowledge* we already have
- Identifies* and *analyzes* the world's biggest challenges
- Estimate *benefits* and *costs*
- Create a *prioritized list* of opportunities to solve the challenges



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## People


10 world-class economists examine the 10 challenges  
20 opponents - two per challenge

*The dream team*  
8 experts met in Copenhagen May 24-28  
to prioritize across topics



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## Copenhagen Consensus approach



Objections

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## Why economists?

Because economists deal in prioritization of scarce resources

- Broad and general expertise
- Long, valuable experience
- Unaligned and impartial



Objections

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## Why "only" \$50 billion?

*Optimistically realistic example*

- \$50 billion over four years correspond to 20% of yearly total development aid
- UN wanted spending to double since 1970 – it has fallen by half since 1965
- Method remains no matter the actual amount of money



Objections

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## Comparing apples and oranges

*This is what we do every day*


- Decisions imply comparing apples and oranges
- We are prioritizing every day
- But too often the prioritization is implicit and unclear



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*"It is a crazy project, but it is even more  
crazy not to do it"*

Professor Bruno Frey from the Copenhagen Consensus dream team




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## Climate Change

- how to limit global warming cost-effectively

- Temperature increase of between 1.4 and 5.8°C by 2100
- Many impacts of climate change happen in distant future
- Climate economists disagree on how to properly value this
- What can we do? Carbon taxes, Kyoto Protocol, Precautionary approach




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## Climate Change

Pricing the future

	Trillions of US \$ at 1990 prices and ratios		
	Costs	Benefits	Net benefit
Optimal carbon tax (low discount rate = 1.5%)	428	903	475
Optimal carbon tax (high discount rate = 3.5%)	53	26	-27
The Kyoto Protocol (low discount rate = 1.5%)	314	552	238
The Kyoto Protocol (high discount rate = 3.5%)	44	17	-27
Value-at-risk carbon tax (low discount rate = 1.5%)	1,528	5,828	4,300
Value-at-risk carbon tax (high discount rate = 3.5%)	231	158	-73

Source: William R. Cline, 'Meeting the Challenge of Global Warming', 2004



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## Communicable Diseases

- 90% of avoidable deaths caused by communicable disease

What can we do?

- Control malaria
- Control HIV/AIDS
- Strengthen basic healthcare services




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## Communicable Diseases

Fighting disease pays off

Billions of US \$ per year	Costs	Benefits	Net benefit
Control of malaria	12	23 - 55	11 - 43
Control HIV/AIDS	7	367	360
Scaled-up basic health services	337	871	534

Source: Anne Mills, 'Challenge Paper on Communicable Diseases', 2004



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## The Copenhagen Consensus list



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## Bad projects

- four opportunities were rated bad




- 17 **Climate Change**  
Value-at-risk carbon tax
- 16 **Climate Change**  
Kyoto Protocol
- 15 **Climate Change**  
Optimal carbon tax
- 14 **Migration**  
Guest worker programs for unskilled workers

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## Fair projects

- four opportunities were rated fair




- 13 **Communicable Disease**  
Scaled-up basic health services
- 12 **Malnutrition**  
Reducing the prevalence of low birth weight
- 11 **Malnutrition**  
Improving infant and child nutrition
- 10 **Migration**  
Lowering barriers to migration for skilled workers

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## Good projects

- five opportunities were rated good



- 9 **Governance and corruption**  
Lowering the cost of starting a new business
- 8 **Sanitation, Water**  
Research on water productivity in food production
- 7 **Sanitation, Water**  
Community-managed water supply and sanitation
- 6 **Sanitation, Water**  
Small-scale water technology for livelihoods
- 5 **Malnutrition**  
Developing new agricultural technologies

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## Very good projects

- four opportunities were rated very good



- 4 **Diseases - Control of malaria**
  - Mosquito nets and effective medication could halve the incidence of malaria
  - Costs: About \$13 billion
  - Benefits are at least five times the cost



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## Very good projects

- three opportunities were rated very good:

- 3 **Subsidies and Trade Barriers - Free trade**
  - Costs: Very low
  - Benefits: Up to \$2,400 billion a year
  - Will benefit rich and poor countries alike



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## Very good projects

- three opportunities were rated very good:

- 2 **Malnutrition - Providing micro-nutrients**
  - Resolves diseases caused by iron, zinc, iodine and vitamin A deficiency
  - 2 billion people lack iron
  - Costs: About \$12 billion




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## The best project

1 Diseases - *Control of HIV/AIDS*

- The scale and urgency of the problem are extreme, particularly in Africa
- 28 million cases would be prevented by 2010
- The costs would be \$27 billion, with benefits almost forty times as high



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## Is the list "correct"?

Alternative approach  
- Copenhagen Consensus Youth Forum

- Parallel conference to the expert meeting
- 80 university students from 25 countries
- Mostly students from developing countries
- An open debate on prioritization

YOUTH FORUM

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## Consensus

- result from Copenhagen Consensus Youth Forum

- Strikingly similar to the experts list
- Malnutrition and diseases at the top  
- climate change at the bottom

YOUTH FORUM

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## The path ahead

- International Debate



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## The path ahead

- research



Cambridge University Press  
*Global Crises - Global Solutions*

We need better Information:  
Education, Conflicts,  
Financial Instability

Implementation studies  
Arrow/North

Copenhagen Consensus 2008

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## The path ahead

- many areas of application

This approach can be used everywhere as a rough-and-ready recipe for prioritization

*The world: G8*  
*In regions: Latin America or Middle East*  
*In single countries: Millennium Challenge Account*  
*In organizations: the UN, World Bank, USAID*  
*In the European Environment Agency*  
*For the UK?*

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## The path ahead

- triage

Map out a future over time:  
Copenhagen Consensus again in 2008, 2012 etc.

Make us focus on *solutions*  
Don't do things that do little good at high costs  
Don't do things we don't know how to fix

Focus on solutions doing:

- Most good
- At lowest cost
- Now



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