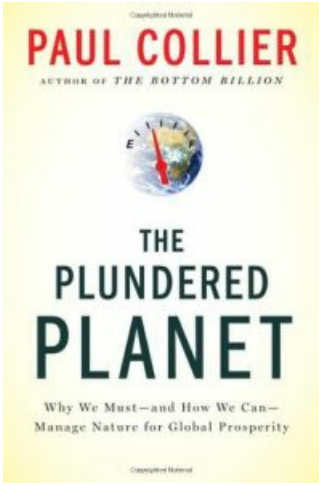

Book The Plundered Planet

Why We Must – and How We Can – Manage Nature for Global Prosperity

Paul Collier
Oxford UP, 2010
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Recommendation

In the never-ending war between "romantics" and "ostriches," economist Paul Collier stands squarely in the middle. Deeply grounded in the economic and environmental issues of the world's poorest nations, Collier's book provides background and cogent strategy for rational, pragmatic environmental practices (thus pacifying the romantics) and for bringing economic growth to the developing world via the sane, honest exploitation of natural resources (thus pleasing the ostriches). Collier describes the history and economic theory of resource "plunder," and discusses how to turn it into resource management. He's willing to fly in the face of popular opinion, and his hard-earned knowledge makes his arguments difficult to resist. In a perfect world, Collier would write less like an economist. But his ideas are so necessary and his solutions so urgent that readers who put up with his less-than-perfect flow of prose will gain important new insights. *BooksInShort* strongly recommends this groundbreaking work to environmentalists, economists, policy makers, governments of any nation grappling with extracting their natural resources and all those concerned with these issues. And that should be everybody.

Take-Aways

- "Nature is an asset" that humankind should use to its advantage.
- Poor nations possess natural resources; wealthy nations have industrialization.
- Less-developed countries need to exploit their natural assets wisely because they are unlikely to industrialize their way out of poverty.
- "Nature plus technology minus regulation equals plunder" of natural resources.
- The easier an asset is to find, the more quickly and thoroughly people will exploit it.
- An abundance of natural resources demands good governance that ensures equitable distribution of benefits.
- Norway and Malaysia offer the best examples of how to prosper from careful management of natural resources and the capital they provide.
- Renewable assets such as plants, trees and fish can be as vulnerable to plunder as depletable resources such as oil, copper and other minerals.
- If a nation uses its resources in the present, it must replace their value with investments for future generations.
- Carbon emissions represent a "natural liability" that threatens future generations.

Summary

The Tightrope

Underdeveloped, poor nations – home to "the bottom billion" of Earth's population – possess a resource with the potential to save them: their natural assets. Handled properly, those assets and their resulting income can raise a nation's fortunes. But when these countries handle their natural assets poorly, "plunder" is the result. All

states walk the tightrope between "prosperity and plunder." On one end of that tightrope are the "romantics," who want to save the world, and on the other end are the "ostriches," who want to milk the Earth for all possible profit. Neither group has a workable solution. Only the most pragmatic approach can save humanity and the planet. A sound strategy must address the needs of the bottom billion and the demands of the bottom line.

The Bottom Billion

It's too late for small-scale agriculture to feed Africa. Most of the continent's poor nations already lag behind in food production, and global warming will mean less rain and diminishing arable land. Bottom-billion economies must depend on resource extraction, which provides a constant temptation for government corruption. In a corrupt state, the revenue from plundered assets never reaches the mass of citizens. A thieving elite takes it all. A crooked government fueled by resource extraction profits is unlikely to enforce any regulations that provide for the sensible, orderly depletion of natural resources. Thus a nation's shady leaders exploit its mines and wells for limited short-term gain, while foreigners with resource extraction expertise loot the country's only valuable assets. Plunder and exploitation, either by colonial powers or postcolonial corporations, feature in the history of all the bottom-billion nations.

> "Restoring environmental order and eradicating global poverty have become the two defining challenges of our era."

Rich nations can afford to be environmentally conscious, goes one argument. No longer dependent on resource extraction, developed countries attempt to make less-developed nations enforce environmental rules that they themselves never followed. This leads to distrust between rich and poor countries. The disconnect between environmentalists and economists mirrors this distrust; they "have been cat and dog," but they no longer can afford to be at odds. They must recognize their mutual goals and dependence. Environmentalists should gain some economic pragmatism, and economists could use a lesson in ethics.

Ownership of Assets

If you make something, it belongs to you. If you simply find something in nature, whether it belongs to you depends on where you find it. The control of a natural asset – diamonds, oil, copper, forests – matters a great deal to the nation where the asset is located. The easier it is to discover, the more quickly people will plunder it. For instance, buffalo once roamed the Western United States by the millions; by the end of the 19th century, buffalo were all but extinct due to overhunting. In another example: The Dominican Republic possesses rich forests, yet on the other side of the same island, Haiti features mile after mile of denuded hillsides.

> "Plunder has dominated the history of the exploitation of natural assets in the poorest societies."

The US operates on a mostly "finders-keepers" policy – if you find gold on your land, then the gold is yours. But this makes for an inefficient market. Large-scale extracting companies buy as much land as possible, leave it untouched and wait to see who turns up a strike nearby. These big exploiters then take all they can by whatever method, however destructive, while swallowing up smaller competitors. This endlessly repeated cycle helps illustrate that humanity should use nature's resources, but only with regard toward what must remain for future generations.

"Cursed by Nature"

Rich natural assets have proved no great boon to some of the world's poorer nations. The scramble for Sierra Leone's diamonds helped reduce that country to anarchy. Nigeria's oil created rampant, deadly corruption. Yet some countries have channeled the power of their natural wealth: Botswana's diamonds fueled "the fastest growing economy in the world." In most countries, the government controls the sale of natural resources to outsiders who do the harvesting. Any country with a weak or potentially corrupt government – and that includes most nations in the developing world – suffers a "resource curse." Extracting the resources seldom brings widespread prosperity or stability.

> "We are not curators of the natural world, preserving nature as an end to itself...we are custodians of the value of natural assets."

These nations face other issues besides corruption and its accompanying violence and inequality. For example, some problems result from poor planning. When the copper market plummeted, Zambia encouraged investment by lowering taxes on mined copper. Five years after the deal closed, copper prices rose astronomically. The government, bound to the low tax rate, earned little from the market resurgence. Conversely, Norway and Malaysia altered their respective economic fates with honest, astute management of oil income. Though natural resources offer the most bountiful income source for African countries, their governments' sales methods undervalued their resources terribly.

> "The failure to harness natural capital is the single most important missed opportunity in economic development."

A commodity boom often means more exports, which cause exchange rate appreciations and thus reduced growth. But nothing stifles growth like corruption, wherein the ruling government takes all the income, and the citizenry get none. Honest governments function transparently: Citizens in these countries have a pretty good idea of how and where their officials spend money. Residents also have some sense of ownership of their countries' natural assets. Corrupt governments conceal resource-related revenues, the better to steal the money and allow extractors to plunder the land.

Managing Natural Assets

The coal Great Britain starting mining more than 100 years ago is all but depleted now. Poor nations are only beginning to extract their resources. The developed world has had two centuries to move from resource extraction to industrialization. The bottom billion can't afford such slow growth. With every inch of the developed world well mapped for resources, a disproportionate share of future discoveries will occur in the nations of the bottom billion, whose governments are either corrupt or corruptible.

> "The resource curse might be connected to something that is specific to the public management of revenues, to governance."

Resource-derived income raises the important issue of how that value is "captured by society": Funds should flow to the rights-seller – usually the government – for the

benefit of its citizens. But in the bottom billion, what should happen seldom does. Cameroon, for example, derived enormous revenues from the sale of its oil rights; almost all that money went into the private accounts of its president. Companies investing in corrupt nations always face the risk that governments might nationalize their assets, a fear firms use to justify bribes to host governments.

Now or Later?

Once resource sales create income, the next significant question is whether the money should "benefit the present or the future." Spending on immediate consumption improves present living conditions; investing the income assists the future. Some natural assets serve the future better by their immediate extraction, followed by investment of the income they produce. Others serve the future by remaining where they are until cheaper extraction or transportation methods arrive or until market conditions improve. Yet many underdeveloped nations face such political instability that they cannot count on resources in the ground gaining value or becoming any easier to extract.

> "Natural assets have no natural owners."

Sierra Leone, now in the midst of an oil boom, serves as a prime negative example. Despite enormous oil revenues, its capital, Freetown, is experiencing little new urban development. Years of war and anarchy have resulted in a chaotic tangle of competing claims of ownership of valuable urban land. No one will build anything until the courts resolve these claims, and, given the judicial system in Sierra Leone, that will take a long time. Natural resources may – or may not – be able to rescue bottom-billion countries from their lack of such basic building blocks.

> "A resource-rich low-income country cannot count on natural assets it has left in the ground becoming more valuable."

Sustainability and preservation are vastly different. Depleting a natural asset is not necessarily good or bad. Countries should exploit some resources immediately; other resources offer greater gain through piecemeal extraction. The use of the money earned is the factor that makes the difference. Depleting a resource and losing the money to corrupt individuals means squandering that resource. Governments must understand – and few in the bottom billion seem to – that resource depletion is not sustainable, and neither is the income derived. Nations who base their current economies on resource extraction must use current income to create a functional future.

> "Politically, foregoing consumption in favor of the future is not easy."

If a resource is depleted in the present, then the country must replace it with something of value for future generations, such as well-invested funds, modern infrastructure or a sound educational system. Spending all of today's income immediately is simply plunder by a different name. At the same time, solid current investments can pay multiple unforeseen future dividends. For example, a new road will ease the extraction of resources, but also it might enable new markets for rural farmers, a larger import market for bicycles or trucks, a need for more skilled labor to work in new manufacturing, and so on.

Renewable Nature

Dig it up and it's gone. Certain natural assets – mostly minerals – derive their value from their extraction and depletion. But nature offers renewable assets: plants, trees, fish and animals. These provide "a double blessing." Humans did not have to manufacture them, "yet we can harvest them for eternity." These assets, too, are vulnerable to plunder. People today still have fish to eat because previous generations did not destroy breeding populations. In contrast, Haiti has no trees because former generations plundered them.

> "Natural assets are special, but not so special that they cannot be used."

As world population – and demand – increases, the value of even naturally occurring renewable resources increases. If more people want salmon, but the same number of salmon exist, then each salmon is worth more. Without some regulation of who owns the salmon in the sea – or any other natural asset anywhere – plunder grows more likely. Pillaging natural resources carries the threat of extinction, the worst possible outcome for a potentially infinite resource.

> "Harnessing natural assets for sustained development depends upon a chain of decisions, and the outcome is only as good as the weakest link in that chain."

Fish that swim in international waters, where no nation's regulations hold sway, face a constant threat of depletion. International monitoring may offer the best prevention against exhausting fish stocks to the point that renders certain species unable to reproduce. If all the natural assets of the sea were to become the province of the United Nations, the world's oceans "would, in effect, be turned into a giant fish farm." The UN could, through its own research, establish harvest limits that would ensure that this crucial resource remained renewable. If the UN controlled the worldwide fish market, it could establish a system of localized auctions to ensure fair pricing and distribution, and avoid profiteering.

Cows and Carbon

Carbon expelled by the world's cattle herds produces a greater global warming threat than nuclear reactors. Reactors do not emit carbon, but gaseous cows do. Carbon creates a debt, "a natural liability," billed to future generations. Emitted carbon has no owner, and thus no particular party is responsible for the damage it causes. Carbon regulation seeks to make current carbon producers pay future generations for harm caused today.

> "Natural assets are for us to use, but 'us' includes the rights of future generations."

France leads the world in carbon efficiency, a feat the nation accomplished with a deliberate, knowing switch to nuclear energy, with all its concomitant risk. This kind of hard-nosed pragmatism serves as a model for other countries facing difficult decisions about their fuel usage and environmental future. Most citizens do not understand that their automobile use creates a debt that they charge to future generations. Carbon does not dissipate in the atmosphere; it lingers for human lifetimes. Its continued existence incarnates another pernicious kind of plunder.

About the Author

Paul Collier, author of *The Bottom Billion*, is Professor of Economics and Director of the Center for the Study of African Economies at Oxford University.