



Worksheet 28.1

The Bottom Billion

In IB Economics section 4, Development Economics, several strategies for achieving improvements in the welfare of the world's poorest people are investigated. Foreign aid has been one of the main focuses of economic development strategies over the last several decades. But is aid in the form of development loans and grants from international organizations and foreign governments always beneficial to those who receive it in the poorest countries (the *bottom billion* as described by development economist Paul Collier)?

In the discussion that follows, Paul Collier of Oxford and Zambian economist Dambisa Moyo argue that the developed world's focus on aid to Africa, resulting in a trillion dollars in loans and grants over the last 50 years, has missed the mark and completely failed to achieve meaningful economic development. The focus must therefore shift to opening markets, improving governance, achieving security and creating jobs for the poorest people on the African continent. Watch the two videos below, and respond to the discussion questions that follow. [the time in the video where the question is discussed is in brackets]

Part 1

Part 2

Questions:

Part 1:

1. What factors does Paul Collier point to that contribute to the 'poverty traps' many African nations find themselves in? [3:07]
2. What have the two main goals of foreign aid policy been over the last 50 years, according to Dambisa Moyo? [4:45]
3. What are the 'four horsemen of the African apocalypse?' How does Moyo think these four obstacles to development can best be overcome? [5:14]
4. What is Paul Collier's opinion of the role of free trade in promoting human and economic development in Africa? What does he think about Africa's traditional dependence on primary products and commodities? [7:45]
5. Before economic growth and development can occur, security must be achieved. Why is security, according to Collier, the number one obstacle to achieving meaningful development in Africa? [8:30]
6. In a dissenting view, Dr. Jeffery Sachs argues for *more aid* to Africa. What types of aid does Sachs believe is absolutely crucial for Africa to continue to receive? [10:39]



Part 2:

1. Collier makes the claim that aid may create *'moral hazard'* in Africa. What is moral hazard and how could reducing aid to African governments actually 'force good governance'? [5:30]
2. Is there any historic record of aid working? What strategies accompanied foreign aid that contributed to its greatest historical success? [8:10]
3. What's the main difference between Europe's economic successful development during the second half of the 20th century and Africa's unsuccessful experience during the same period? [9:00]