

Chapter 4: Advantages of World Peace Bonds

World Peace Bonds would build a coalition of interests with a strong incentive to reduce deadly violence as effectively and efficiently as possible. Their main advantage over existing peace-building initiatives would be their efficiency, but this overlaps with other advantages, including transparency and stability of the policy objective.

Efficiency

Efficiency gains, expressed as the reduction in violent political conflict worldwide per dollar expended, would arise from several linked sources.

Self-interest and market forces would channel conflict-reducing resources into achieving the desired outcome efficiently. This contrasts with the current system under which funding is generally allocated to organisations that are well meaning and hard working but are not rewarded in ways that correlate with their success in reducing conflict. A coalition of bondholders would have more latitude to initiate projects that governments and others in positions of power cannot support, or do not wish to support, *or do not wish to be seen to support*. Holders of World Peace Bonds would have incentives to support whichever conflict-reducing initiatives would be most effective. Their objective and that of the people who back the bonds would therefore be exactly the same. The more efficient were bondholders in reducing the level of violence, the more they would gain from appreciation in the value of their bonds. This efficiency would maximise the reduction in violence that could be achieved per dollar outlay.

Of course, many enlightened individuals and organisations are already carrying out valuable peace-enhancing activities. But under a World Peace Bond regime many more might be enticed to do so, while very large numbers of people could be encouraged to moderate their opposition to measures that build peace. Under a bond regime, funds for building peace could bypass or modify the behaviour of inefficient, obstructive or corrupt people in authority, in favour achieving the targeted peace objective.

Many world conflicts occur within or between developing countries. Unfortunately, perhaps even more than in the rich countries, the stated objectives of politicians and governments differ from their real intentions. In many developing countries powerful politicians use their own hidden networks of placemen in key positions in important ministries to frustrate whatever projects or policies they find inconvenient. Outsiders, including especially overseas aid donors, find little correlation between what the governments in these countries say they want and what they actually want. World Bank and International Monetary Fund personnel officially judge countries on their stated policies and plans but, in many countries, these bear little relationship to the way the country is actually run.¹ A coalition of bondholders - solely focused on their financial returns - would have no institutional baggage that would prevent it from circumventing obstacles put in their path by such governments.

It would be in the interests of bondholders and those whom they influence to seek out those ways of achieving the targeted reduction of conflict that would give them the best return on their outlay. But this would also be in the interests of those, whether taxpayers or private individuals, who would be the ultimate source of funds used to redeem the bonds. Crucially, it would be only when the violence had fallen to the targeted lower level and sustained for the stipulated period that the bonds' backers would end up paying for these efforts. Until then it would be up to bondholders to finance those initiatives that they believed would bring about reductions in the violence. Again, this contrasts with the current system, in which taxpayers incur costs for funding conflict-reduction schemes regardless of whether they are effective or not. The body that issues World Peace Bonds would, in effect, be contracting out the achievement of peace. It would still, though, stipulate the definition of conflict that it wanted to see reduced and, by undertaking to redeem the bonds, would still be the ultimate source of finance for that reduction.

Governments' reluctance to explore new approaches to many social problems arises not only from the controversy that a particular new approach might generate, but also because government is generally more interested in preventing failure than in rewarding success. Government and inter-governmental organisations tend to believe that they should carry out only those activities that can plausibly be justified on the basis of a past record. These activities need not be very efficient, or even partly efficient: they need only to have been tried in the past and not to have been publicly identified as disastrous. Tried, tested and failed all too often beats new, innovative and potentially successful. This is not a strategy designed to optimise performance; nor is it even designed to minimise failure. Rather it is designed to minimise the *public exposure* of failure. In the almost total absence of a self-evaluative cultureⁱⁱ it leads to the continuing of inefficient, unimaginative activities. As the persistence of violent political conflict and other social and environmental pathologies shows, it is not a successful strategy.

Another source of efficiency arises from the greater freedom bondholders would have to ignore the priorities of the media. Conflict in the Middle East, for example, has a very high media profile; conflict in Africa, on the other hand, rarely makes the news. Since 1996, conflict in eastern Democratic Republic of Congo has led to approximately six million deathsⁱⁱⁱ while a cautious estimate is that 400 000 to 600 000 people or more have died as a result of conflict in Sudan over the last 25 years, with the majority of deaths occurring during the Darfur genocide and the ongoing civil war since 2023;^{iv} an estimated 14 million people have been forced to flee their homes during the conflict.^v These wars rarely feature in the western media. The result is that a disproportionate share of the world's meagre conflict-reducing resources flow to the Middle East, while the wars and civil wars of Africa, which have devastated the lives of millions, receive comparatively little attention. Holders of bonds aimed at minimising conflict over the entire world would allocate resources impartially, giving most attention to reducing those conflicts that, in their judgement, would maximise the conflict reduction that could be achieved per dollar outlay.

Unlike most people currently charged with conflict reduction, holders of World Peace Bonds would have incentives to respond quickly and appropriately to events. They would have

incentives to monitor, improve and evaluate these diverse responses and they would have powerful incentives to discard the least promising of their approaches and to follow only those that had been successful and cost-effective in reducing conflict.

Under a World Peace Bond regime, if bondholders were unexpectedly efficient, or if external events were unexpectedly helpful, they could sell their bonds and realise their capital gains. But if bondholders were inefficient, or external events were unexpectedly unhelpful, so that bondholders failed to achieve the conflict-reduction target then they would be the losers, not the backers of the bonds. If the bonds were backed by various countries' governments, the ultimate beneficiaries of this feature of World Peace Bonds would be the taxpayers of contributing countries who, in a helpful departure from the current system, would not have to pay for ineffective conflict-reduction projects.

Efficient costing

The resources that can be devoted to ending conflict are finite. They should therefore be channelled into those initiatives that can bring most benefit per unit outlay. In Chapter 3 we saw how markets for World Peace Bonds would enable potential investors and others to gauge the effectiveness or otherwise of their conflict-reducing policies. This would make it unnecessary for bond backers to gauge precisely how much to spend on achieving a particular targeted reduction in conflict. Apart from administrative costs, their total outlay can be fixed in advance: it would be the total sum deposited in an escrow account (or the sum they promise to pay out on redemption). Potential investors in the bonds would have estimated how much the targeted objective would cost to achieve, and would have every incentive to minimise this cost. They would do this when they bid for the bonds at issue *and at all times subsequently*, until the bonds were redeemed.

These facts, and bondholders' incentives to minimise their costs, contrast with the current system in which the costs of containing conflicts, if they are estimated at all, are not widely known, nor subject to competitive bidding. A further point is that the redemption funds could be swelled by contributions from the backers, or others, at any time, to boost the efforts going into peace-building initiatives.

But the bond mechanism would not merely minimise the total cost of achieving its specified objective. It would also indicate the *marginal* cost of achieving further reductions in the level of conflict. Assume that one million World Peace Bonds were issued targeting the reduction in some Conflict Index from 50 to 40 units, and that each bond becomes redeemable for \$10 million once that objective has been achieved. Further, assume that each bond sells for \$5 million each. This would tell the backers of the bonds that the present value of the expected *maximum* cost, including bondholders' profits, of reducing the Conflict Index from 50 to 40 units would equal \$5 billion. Now assume that the bonds' backers decide to be more ambitious, and aim for a further fall in the Conflict Index to 30 units. It could issue an additional million World Peace Bonds, again redeemable for \$10 million each, only when this new lower level of conflict were reached. These new bonds would (probably) each have an initial market value of less than \$5 million, reflecting the (probably) diminishing returns involved in lowering the level of violent political conflict. But the main point is that, by

letting the market do the pricing of the bonds, the bonds' backers would be getting an informed view of the marginal cost of their objectives. So if the bonds targeting the new Conflict Index level of 30 units were to sell for \$4 million each, then the maximum cost of achieving that objective would be \$11 billion, being equal to: \$5 billion (paid out when the index fell from 50 to 40 units) plus \$6 billion (paid out when the index fell from 40 to 30 units). The market would thus have revealed that marginal cost of a 10-unit drop in the Conflict Index had risen from \$5 billion to \$6 billion. Should the bond issuers aim for a further fall in the Conflict Index to 20 units? *After having issued World Peace Bonds and followed their progress, they would have robust information about the cost of doing so.*

This is greatly simplified of course, and in fact the bond market would continuously update its pricing information. So now let's assume that some new and promising conflict-reduction programme is announced. It could be technological, political or social - for our present purposes, the form it takes does not matter - but let us further assume that it takes the form of an information-sharing agreement, and that this makes countries feel more secure.

How would the market for the same World Peace Bonds react to such a development? On the announcement of the new agreement the value of all the bonds would rise. Instead of being priced at \$5 million and \$4 million, the bonds described above might then sell for \$8 million and \$7 million. The total cost to the backers of redeeming these bonds would not change: it would remain at \$11 billion (though redemption would most probably occur earlier). But the market would be generating new information as to the likely cost of future reductions in the level of conflict. The market would now be expecting reductions of ten units of the Conflict Index to cost \$2 billion (from 50 to 40 units), and \$3 billion (from 40 to 30 units). The new information-sharing agreement would have reduced the costs from \$5 billion and \$6 billion, respectively. So the cost of any further conflict reductions would also fall, and by following the bonds' market price movements policymakers could gauge approximately by how much.

These figures are hypothetical, but they do indicate the role that information from markets for World Peace Bonds could play in helping whoever backs the bonds decide on their spending priorities. The importance of this sort of market information can hardly be exaggerated: the failure in history of central planning can plausibly be attributed to the absence of market-generated information.^{vi} Market prices reflect all of the information used by all who transact, or choose not to transact, in the market. Central planning fails in comparison with a market economy because it encounters the limits of human beings' calculating capacity: no individual or group of individual planners knows or feasibly can know all the dispersed information that is embodied in prices. It limits the number of decision makers and so the ability to adapt to changing circumstances. Even with a sound incentive system in place — and the centrally planned economies had some fearsome systems — without the information that only markets can generate the computational task of organising an efficient allocation of resources is too great. Prices incorporate and simplify all of the dispersed information implicit in getting a product or service to the marketplace. Markets for World Peace Bonds would continuously generate and reveal this information to policymakers and all those involved in achieving social and environmental outcomes — probably for the first time on a systematic basis. A World Peace Bond regime would combine market information with

incentives to use it efficiently: the synergies arising could be of enormous benefit to society as a whole.

So, to recap, markets in the bonds would continuously reveal information that would tell the bonds' backers and anyone who might want to supply conflict-reduction services: (1) how close a targeted objective were to being achieved; (2) the potential rewards from buying the bonds and participating in objective-achieving projects; and (3) the likely costs of marginal improvements beyond those already targeted.

Stability

A further advantage of World Peace Bonds would be the stability of their objectives. Most conflict-reduction projects will have a necessarily long lead time, and bondholders should not be deterred from initiating them by fears of a change of policy. Under a bond regime only the ends of policy, not the means, would be specified. Current efforts to reduce conflict often depend on particular people or governments remaining in power. Or their success depends on how accurate are particular views about the causes of a conflict, or the nature of the protagonists. As events and circumstances change, these conflict-reduction efforts are often slow to adapt. But, under a World Peace Bond regime, bondholders would be free to choose what they believe will be the best ways of achieving peace as cost-effectively as possible.

The goal of reduced conflict is more stable over time than the best ways of achieving it. So the bonds would lead to a more rational allocation of conflict-reduction resources.

Bondholders would maximise their returns by refusing to overestimate the importance of high-profile, ephemeral events. Motivated by profit, they would undertake activities that might bring peace only in the long term. These could include such unglamorous and slow-to-act projects as investment in education or in efforts made to end hate propaganda directed at children. There are people and organisations involved in these activities nowadays,^{vii} but under a World Peace Bond regime it is likely that their most promising efforts would receive more funding. Stability of the policy objective, reduced conflict, would give bondholders more confidence to invest for the long term.

Transparency

Another significant advantage of World Peace Bonds would be their transparency. The objectives of each bond issue would be clear and explicit. Their over-arching aim would be: to reduce the level of the world's violent political conflicts to a very low level. The bonds' redemption terms would thus make clear to everybody exactly what are the real objectives of those governments, non-governmental organisation, and individuals that back the bonds.

Some powerful people in governments, militant organisations or religious institutions would resent the targeting of such objectives by external agencies in this way. But, while under the current system they can oppose peace in ways that attract support, they could not oppose a World Peace Bond regime without having to openly declare their opposition to peace itself. It is precisely this clear focus on the *outcome* of peace—rather than activities, policies, programmes or institutions—that would help mobilise and motivate the coalition working to achieve it.

By focusing on transparent outcomes, rather than activities, World Peace Bonds would encourage indirect, as well as direct, means of achieving them: efficiency in conflict reduction would be the overriding criterion. This could bring about changes in the way organisations operate. An aid organisation, instead of focusing indiscriminately on, say, the number of households newly supplied with water, would also consider the potential of its activities to reduce conflict. Under a bond regime, it would divert resources into those water-supplying initiatives that contributed more to conflict reduction and away from those that in its view would do little or nothing to reduce conflict, or could even aggravate it.

Before World Peace Bonds were issued, there would be constructive participation in the political processes leading to decisions on what exactly they should target. At least as important, a bond regime would make explicit the maximum value that society wished to place on targeted cuts in levels of conflict: this would be the total value of the funds for the redemption of the bonds, which could be fixed on the bonds' flotation, or added to over time. The targeted elements of peace, and the initial value of the redemption funds would have to be openly decided before any bonds could be issued. Costing outcomes in this way would make the trade-offs between different conflict-reduction objectives, or between competing global concerns, more transparent.

More attractive money flows

A further advantage of World Peace Bonds over conventional peace-building programmes is that, in many cases, they would have more politically appealing money flows. Current methods of conflict reduction can, for example, involve costly intervention by peacekeeping forces, for which taxpayers of contributing countries have to pay in advance of any actions, and regardless of these forces' success or otherwise. Under a bond regime:

- If funds for redemption were placed in escrow and the peace goal were not reached, these funds, plus any accrued interest, would be returned to the bonds' backers.
- Promises to pay on achievement of the peace goal could be more or less acceptable, depending on who makes them. If governments are deemed sufficiently trustworthy, there need be no advance payments by taxpayers to fund the goal.

Either way, the backers would pay up only on successful achievement of sustained world peace. Bondholders would be rewarded only once they had successfully reduced conflict. Government-backed bonds would of course be redeemed by funds taxation revenues, but there is, nevertheless, a presentational advantage. For this reason, the bonds may attract greater political support for certain causes than agency- or activity-based programmes.

Correlation with public benefit

A less obvious benefit of a World Peace Bond regime would arise from the existence of a means of acquiring wealth whereby private gain would be strongly and inextricably correlated with social benefit. Many private-sector bondholders, whether institutions or individuals, would be wealthy and, if their bonds rose in value, would become even wealthier. But working successfully to build world peace would be seen as a laudable way of acquiring

wealth. There are intangible benefits from having people or institutions grow rich in this way. There are many disaffected people who, in some cases justifiably, view with suspicion or alarm the extremely high incomes of individuals or corporations engaged in activities of little obvious social benefit. They are also unconvinced that 'trickle-down' occurs to any meaningful degree. Extreme wealth, in these people's eyes, is the result of the abuse of human or environmental resources and discredits our democratic political systems. World Peace Bonds could help alter this worldview: they would provide a means of becoming wealthy that is transparently socially beneficial – and would help the case of those wishing to raise taxes on other, less valued ways of accumulating wealth.

ⁱ 'A comprehensive study found that of 763 IMF programmes between 1980 and 2015, 512 were interrupted, and 291 never resumed.' Bernhard Reinsberg and Thomas Stubbs, *Lots of IMF programmes are never completed – because they're unworkable*, The Conversation, Europe edition, 12 July 2021, <https://theconversation.com/lots-of-imf-programmes-are-never-completed-because-theyre-unworkable-161905>, sighted 13 July 2025.

ⁱⁱ Stephen Van Evera, *Why states believe foolish ideas: non-self-evaluation by states and societies*, Massachusetts Institute of Technology, Political Science, Department and Security Studies Program, 10 January, 2002.

ⁱⁱⁱ Center for Preventive Action, *Conflict in the Democratic Republic of Congo*, 9 June 2025. <https://www.cfr.org/global-conflict-tracker/conflict/violence-democratic-republic-congo>, sighted 22 July 2025.

^{iv} Holocaust Encyclopedia, *Darfur*, United States Holocaust Memorial Museum. <https://encyclopedia.ushmm.org/content/en/article/darfur>, sighted 13 July 2025.

^v Mohamed A. Hussein, *Animated maps show two years of war in Sudan*, Al Jazeera, English 14 April 2025. <https://www.aljazeera.com/news/longform/2025/4/14/animated-maps-show-two-years-of-war-in-sudan>, sighted 1 August 2025.

^{vi} See Hayek, F. A., 'The Pretence of Knowledge', in his *New Studies in Philosophy, Politics, Economics and the History of Ideas*, University of Chicago Press, Chicago, 1978.

^{vii} Here is just one example, in the Middle East: Seeds of Peace. <https://www.seedsofpeace.org>.