

# **Discussion: New Capitalism, New Socio-economic Policy, and the New Roles of Capital Markets**



September 19, 2012

**Dosoung Choi**, Ph.D.,  
Professor, Graduate School of Global Development & Entrepreneurship  
Handong Global University

# The New Normal

The **New Normal** for the next 5 years  
(PIMCO, 2011)

- Low growth and high unemployment
- Slow banking and **slower** securities
- Steady erosion of productive capital stock

“The result is a prolonged pause, or in some cases, a violent reversal in certain concepts that markets had taken for granted.”

# Global challenges

## Global problems on sustainability

- To name a few,
  - World hunger and poverty, especially extreme poverty
  - Food shortage and agricultural warfare
  - Sustainable energy?
  - Water problem
  - Environmental issues
  - Climate change and global warming
  - Lack of education / educational opportunities
- Does this new capitalism have a solution to this?
- What roles should capital markets play to alleviate these problems?

# The problem of poverty

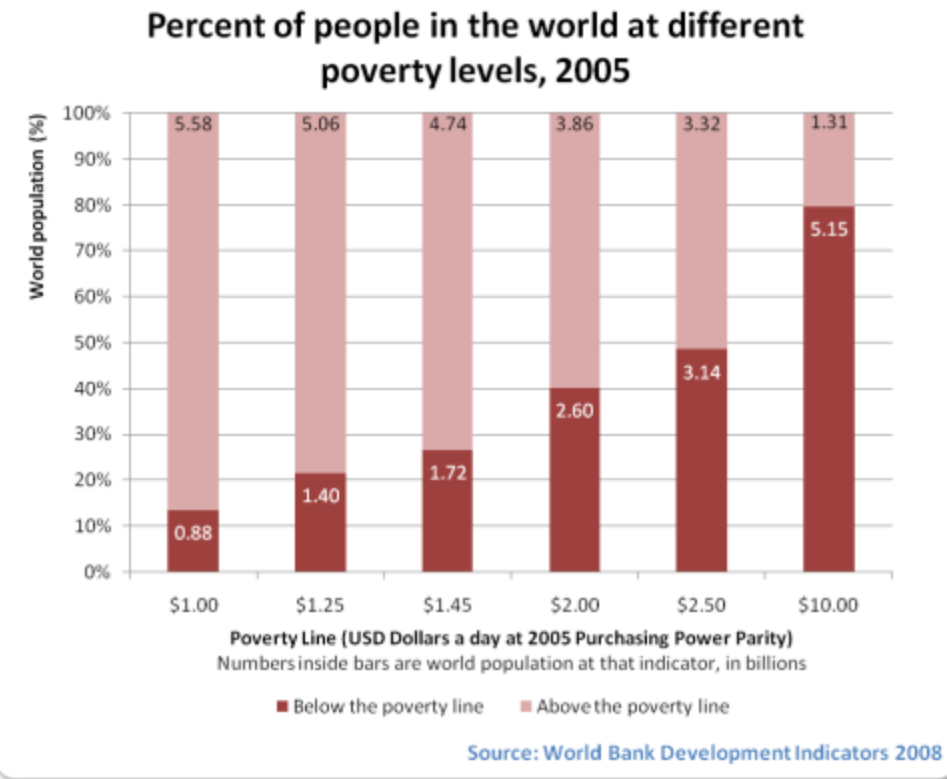
## Poverty

- The problem of poverty is not new.

“The poor you will always have with you, but you will not always have me.” (Matthew 26:11)

- The problem lies in the disparity of income/wealth between the haves and the have-nots.
- Poverty levels are not improving over time.
- This is a potential source of social instability

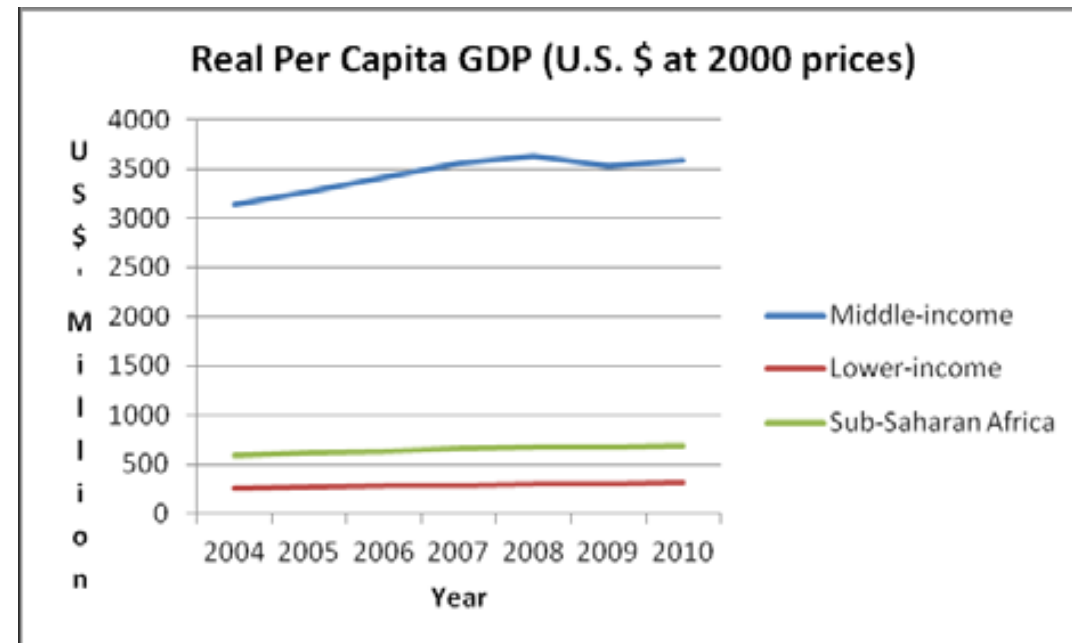
Almost half the world - over three billion people - live on less than \$2.50 a day.



# Foreign aid, not so effective

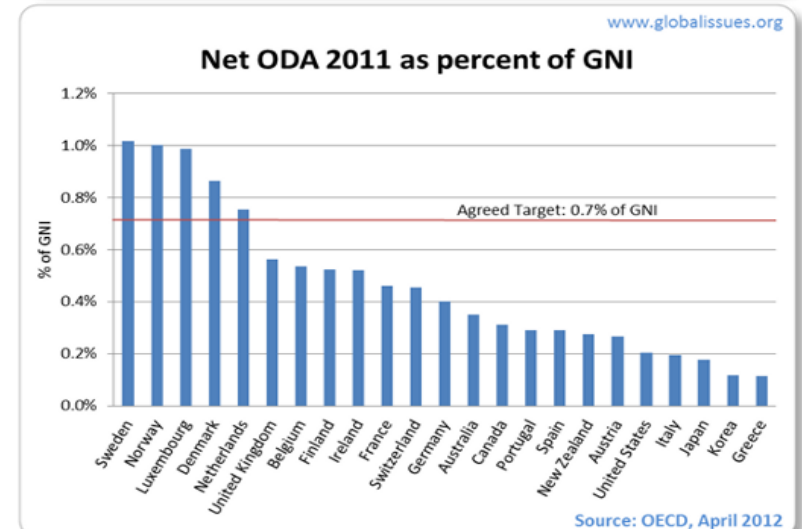
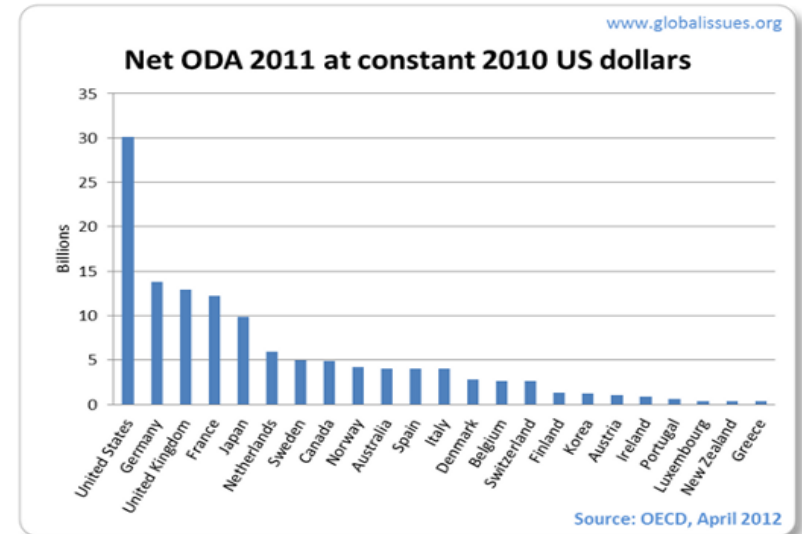
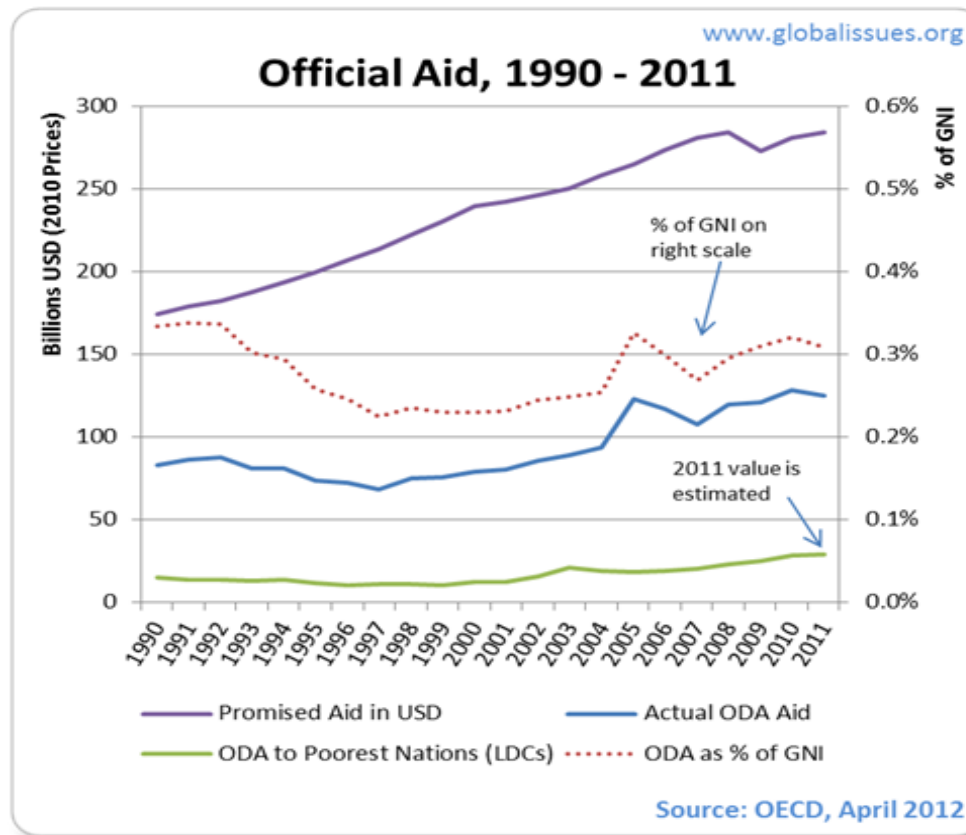
- Many aid recipient countries still remain poor. Maybe, poorer in a relative sense. Some may have been caught in the **aid trap**.
- The majority of foreign aid is not channeled to business activities which are the engine of development. (Hubbard and Duggan, 2011)
- Economic development, not aid, brings people out of poverty.

## Foreign Aid Addiction in Sub-Saharan Africa



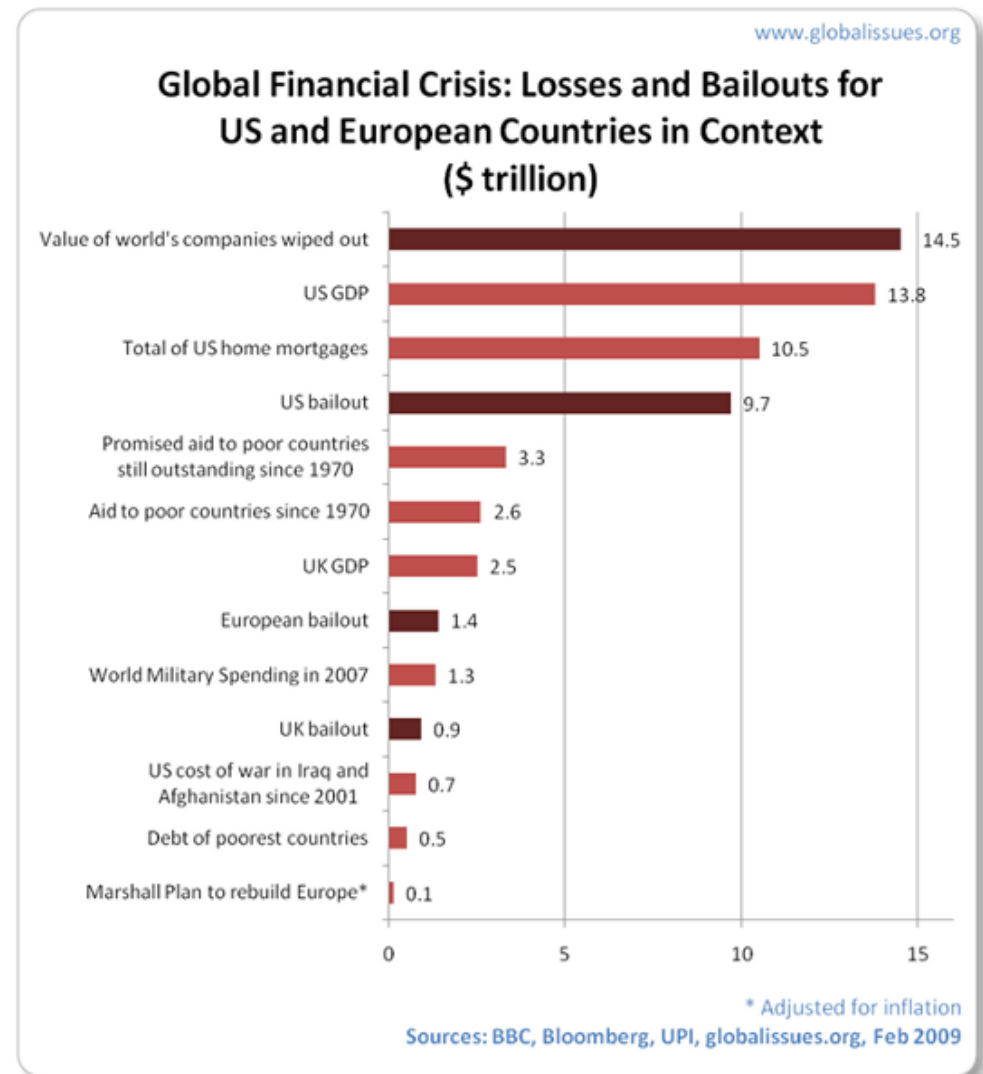
# Foreign aid will and should continue ..

- ODA (official development assistance) will continue to grow (0.7% of GNI)



# Marshall Plan for Africa?

- Gordon Brown proposed for a ten-year “**Marshall Plan for Africa**” in 2005 (\$20 billion per year)
  - complete debt relief
  - doubling direct development aid
  - anti-corruption measures and more spending on health, education and welfare
  - calling for an end to trade barriers for African agricultural products entering rich countries



# Business development – can capital markets help?

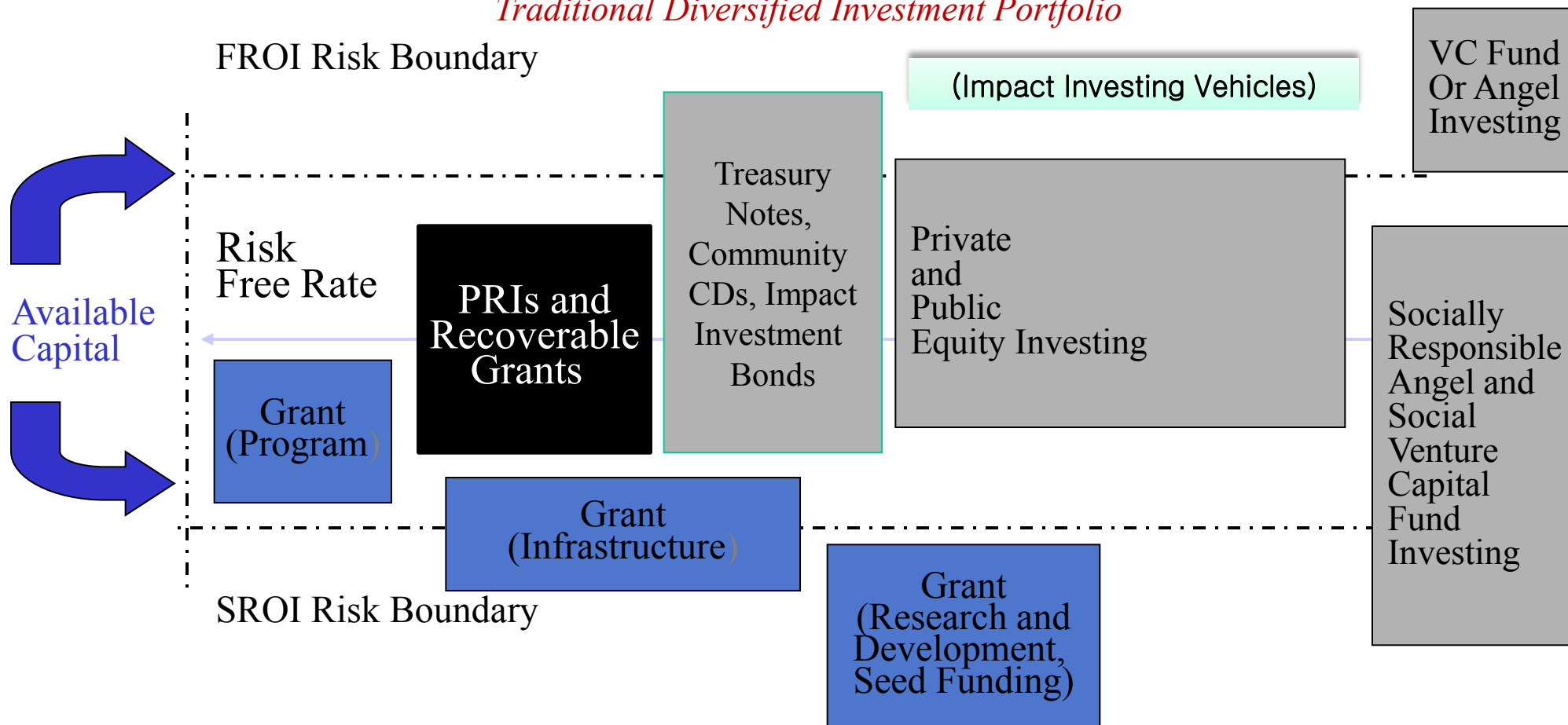
- More capital will become available for development spending –  
**How to invest the capital more efficiently?**
- Efficient and equitable allocation of development capital among competing projects and programs is the key.
- This is the role of capital markets:
  - transparency
  - accountability
  - monitoring
  - efficiency through competition



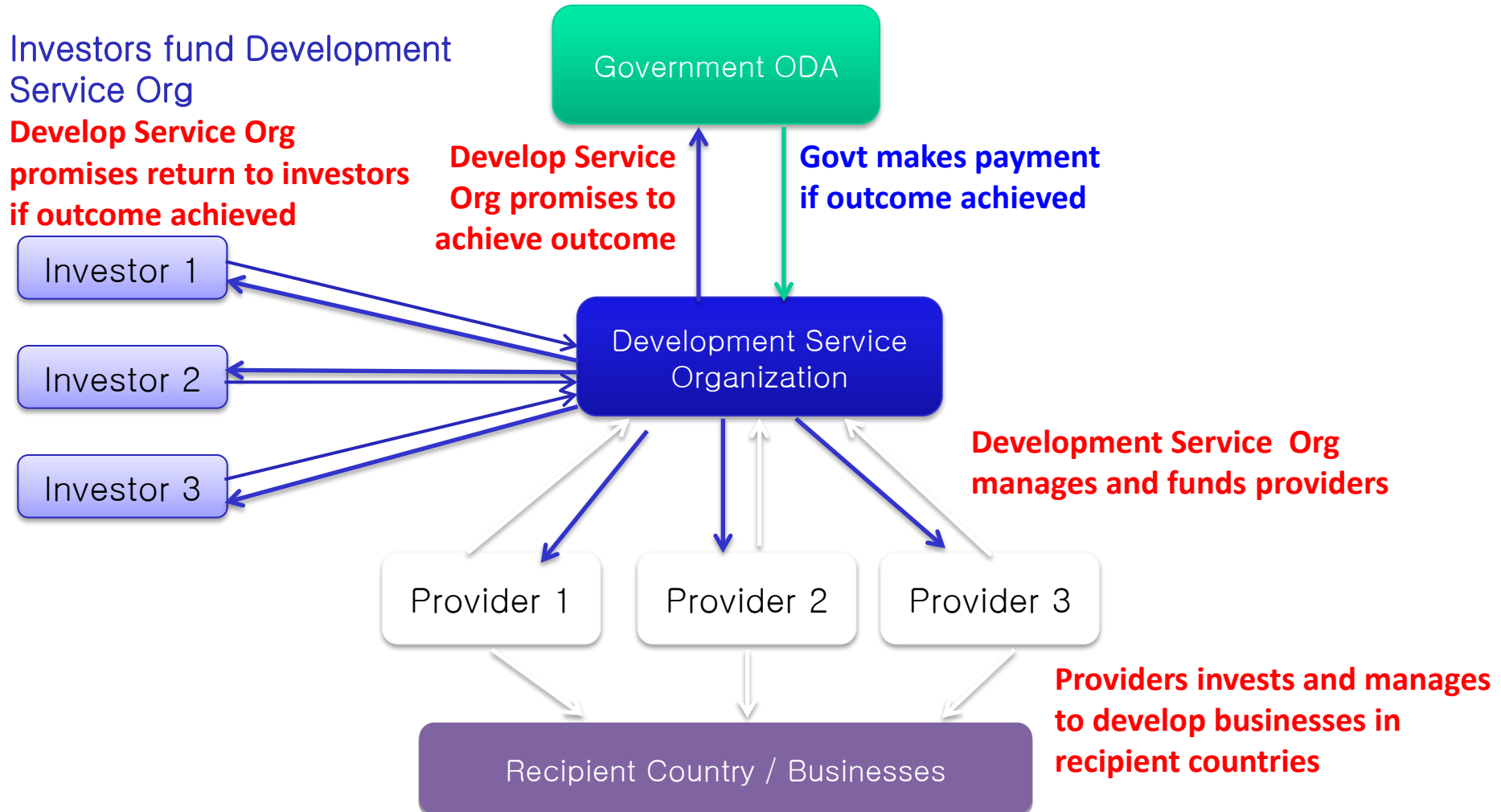
# A Unified Investment Portfolio

- Capital market instruments can be designed to help allocate development capital among competing projects./programs.

## *Traditional Diversified Investment Portfolio*



# Development Impact Bond?



# Philanthropic capitalism, an oxymoron?

**Thank you!**

Dosoung Choi,  
Vice President for Global Advancement  
Handong Global University  
choids@handong.edu